

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

63-3050

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name VILLAGE OF HOLLY	County OAKLAND
Audit Date June 30, 2004	Opinion Date November 11, 2004	Date Accountant Report Submitted to State: December 22, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

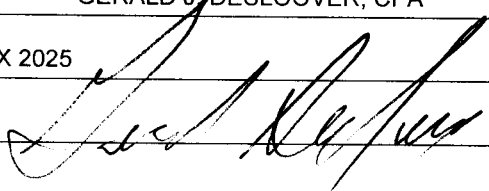
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

### We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025	City SAGINAW	State MI	Zip 48605
Accountant Signature 			

# **VILLAGE OF HOLLY, MICHIGAN**

## **List of Principal Officials**

### **President**

Peter Clemens

### **VILLAGE COUNCIL**

Shirley Campbell

Jim Scherman

Don Winglemire

Pauline Kenner

Reisa Hamilton

William P. Kuyk, Sr.

### **ADMINISTRATION**

#### **INTERIM VILLAGE MANAGER**

Tom Daily

#### **VILLAGE CLERK-TREASURER**

Marsha A. Powers

#### **DIRECTOR OF PUBLIC WORKS DIRECTOR**

Marv Swanson

#### **POLICE CHIEF**

Greg Hansmeier

#### **WASTEWATER TREATMENT PLANT SUPERVISOR**

Tim Stallcup

#### **FIRE CHIEF**

Jack Hollands

## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ending June 30, 2004

### **Prepared by:**

Marsha A. Powers, CMC-CPFA  
*Clerk-Treasurer*

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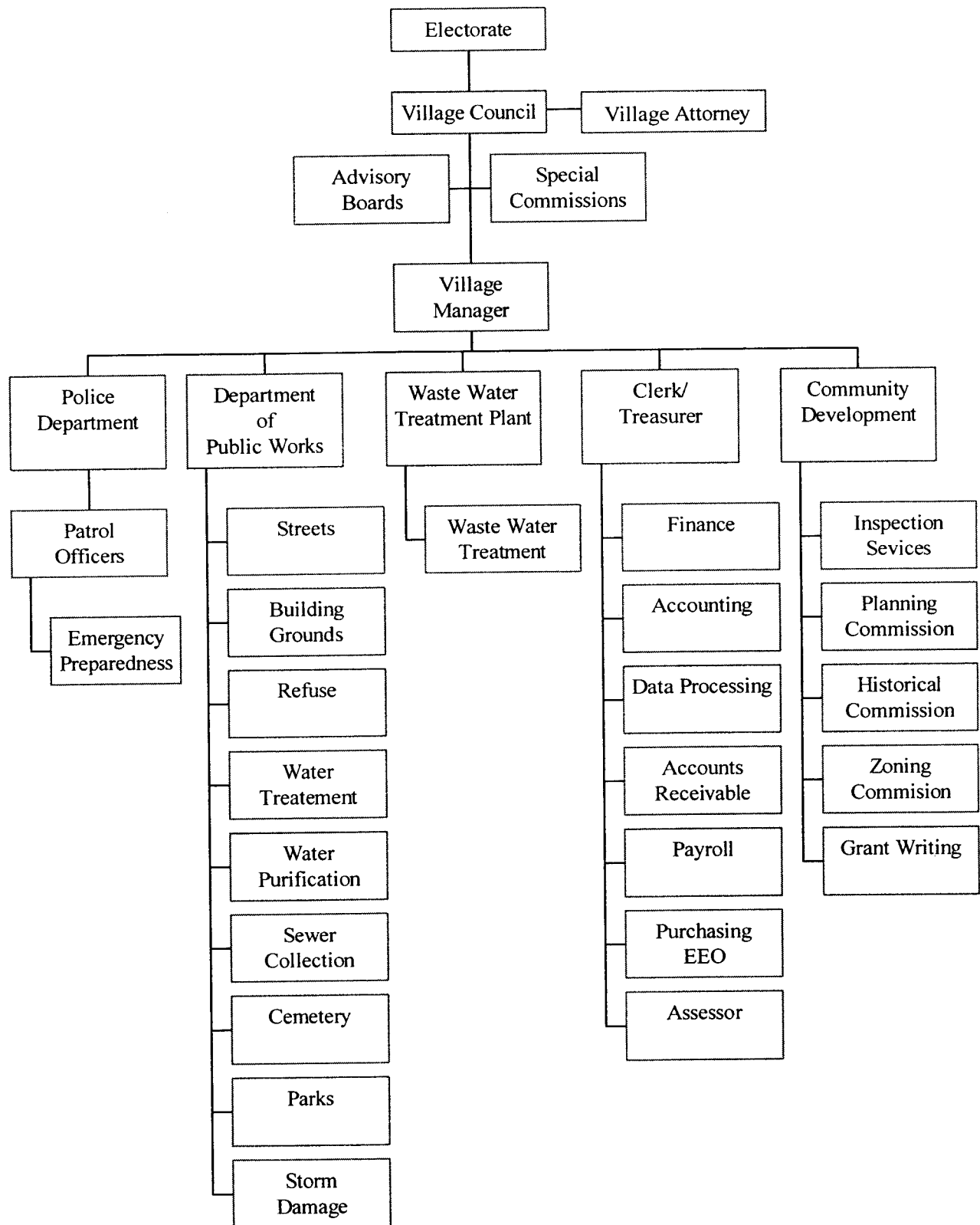
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# VILLAGE OF HOLLY ORGANIZATIONAL CHART



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Village of Holly,  
Michigan

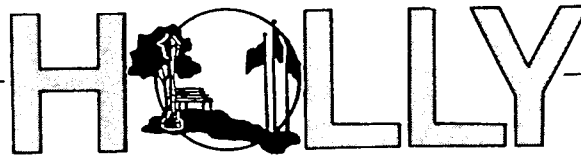
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



*"Proud of our past, confident in our future"*

November 11, 2004

To the Citizens of  
Village of Holly, Michigan:

The Comprehensive Annual Financial Report of the Village of Holly, Michigan, for the fiscal year ended June 30, 2004 is submitted herewith. This report was prepared by the Village of Holly Treasurer's office with assistance from the Village's Independent Auditors. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the Village. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the Village, as measured by the financial activity of its various funds; and that the disclosures necessary to enable the reader to gain the maximum understanding of the Village's financial activity have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The **introductory section** includes this transmittal letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **financial section** includes Management's Discussion and Analysis, the basic financial statements and the combining fund statements, as well as the auditor's report on the financial statements. The **statistical section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

This report includes all funds of the Village and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." The Village has implemented GASB Statement No. 14, which sets forth criteria for including/excluding certain related entities in the Village's financial statements. As a result, the Holly Downtown Development Authority and the Economic Development Corporation of the Village of Holly have been discretely presented as component units in the financial statements.

#### **PROFILE OF THE GOVERNMENT:**

The management of the Village is overseen by an elected Council. The Council consists of seven members. They have the responsibility of making appropriations to all Village functions and establishing policy for all Village operations. The Council appoints a manager who has the overall responsibility to oversee the administrative duties of the Village.

The Village provides many services to the Village residents including administration, police patrol, public works, recreation and water and sewer services.



## **FACTORS AFFECTING FINANCIAL CONDITION:**

### **Local Economy:**

The Village of Holly is a growing community located in an area rich in natural resources. With six lakes in the Village in addition to the Shiawassee River and four major recreational areas within five miles, Holly is an attractive place to live and work.

The Village continues to prosper from positive growth. Construction continues on an 88-unit condominium project and a single-family subdivision with 15 homes. The village signed an inter-governmental agreement with Holly Township to supply a proposed 905 housing unit development with water and sewer services, which is located in Holly Township. To date, 104 units have been sold. A new 6,000 square foot retail center on Grange Hall Road is complete, with three businesses open. Phase II is being proposed next to that retail center.

Our Downtown Development Authority is working through the National Main Street program to help bring new businesses to our area, strengthen existing businesses, promote and beautify the area, and enable a prosperous future for Holly. Directional street signs at major highways and intersections have been installed. Financial and volunteer support has been given to all of Holly's major festivals. A tourism partnership with the Flint Convention and Visitors Bureau was established. Advertisements have gone into statewide publications. Market analysis tools have been purchased to keep local businesses competitive in the ever-changing retail market place. The DDA is also working to replace lights in the downtown area and placed new flower planters through the area this spring.

The Village of Holly is in a good position for the future. During the boom times of the 1990's, Holly has upgraded infrastructure and repaired, reconstructed and maintained important Village assets. As times grow lean, Holly will be in a solid position.

### **Major Initiatives:**

The Village of Holly has made significant upgrades to its infrastructure in the past years. Major street projects in Holly include reconstruction of Maple Street and North Holly Road, and resurfacing of South Broad Street, North Saginaw Street, and Sherman Street, of which the unpaved section was improved to put in sidewalks, curbs and gutters and paving. Work was nearly completed on Grange Hall Road to put in a left turn lane through the congested business district east of North Holly Road, and Elm Street is nearly complete with new paving, curbs, water and sewer line updates and sidewalks on the south side of the street.

Improvements in the Village water supply system included work on Cogshall and Sherman Streets. The Village can now treat 1.65 million gallons per day. Our current peak usage is 1.0 million gallons per day in the middle of the summer. Average usage is 600,000 gallons per day. Plans are underway with Capital Consultants for an upgrade to the wastewater treatment plant to meet our needs for the year 2020. This project will begin in September 2004 with the Village financing \$6,500,000 with revenue bonds and \$5,500,000 with capital improvement bonds to complete the project.

### **Financial Management:**

Management of the Village is responsible for establishing and maintaining internal control designed to ensure that the assets of the Village are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgeting Control:**

The Village maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Village Council. Activities of the General and Special Revenue Funds are included in the annual appropriation budget.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is exercised at the departmental level for all funds.

As demonstrated by the statements and schedules included in the financial section of this report, the Village continues to meet its responsibility for sound financial management.

**Cash Management:**

Cash temporarily idle during the year was invested through the use of a competitive bid procedure in time deposits, including municipal investment pools, ranging from overnight to medium short-term investments. Longer investment periods were utilized by the Village to take advantage of higher interest rates.

**Risk Management:**

The Village carries a variety of commercial insurance coverage. This includes coverage for workers' compensation, property loss, general liability, public officials liability and employees liability.

**OTHER INFORMATION:****Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the Village Council to perform the Village's annual audit. The auditor's report on the financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

**Accounting Systems and Reports:**

The Village's accounting records for traditional governmental operations; i.e., General Fund and Special Revenue Funds are maintained on a modified accrual basis of accounting. As a result, the more significant revenues such as property taxes, intergovernmental revenues and investment earnings are recognized as earned and other revenues are generally recognized only when received. Expenditures are recorded when incurred and encumbrances placed when purchase orders are issued.

**Awards:**

It is with great pleasure I report that last year's 2003 Comprehensive Annual Financial Report, as approved by the Village Council, did again receive the Certificate of Achievement for Excellence in Financial Reporting as given by the Government Finance Officers Association (GFOA). The receipt of this award indicates that the Village of Holly has achieved the highest standards in government accounting and financial reporting as prescribed by the accounting and reporting profession. This Certificate has been inserted as part of the Introductory Section of this report.

**Acknowledgements:**

The completion of this report on a timely basis could not have been accomplished without the cooperation of the Village staff. I would like to express my appreciation to those who assisted and contributed to its preparation.

Finally, I would like to thank the Village Manager and Council members for their leadership and support in planning and conducting the financial operations of the Village in a responsible and progressive manner.

Respectfully submitted.

A handwritten signature in cursive script that reads "Marsha A. Powers".

Marsha A. Powers,  
Clerk-Treasurer, CMC-CPFA

## **FINANCIAL SECTION**

This section is composed of the following parts:

Independent Auditor's Report

Management's Discussion and Analysis

Basic Financial Statements

Other Supplementary Information



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

## INDEPENDENT AUDITORS' REPORT

November 11, 2004

Village Council  
Village of Holly, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Village of Holly, Michigan***, as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the ***Village of Holly, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***Village of Holly, Michigan***, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund, for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2004, on our consideration of the ***Village of Holly, Michigan's*** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise *Village of Holly, Michigan's* basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section, as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

*Rehmann Lohorn*

## Management's Discussion and Analysis

As management of the *Village of Holly, Michigan*, we offer readers of the Village's financial statements this narrative overview and analysis of the financial activities of the Village for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here.

### Financial Highlights

- The assets of the Village exceeded its liabilities at the close of the most recent fiscal year by \$ 16,459,980 (*net assets*). Of this amount, \$4,666,374 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$956,346.
- As of the close of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,709,809, a decrease of \$70,972 in comparison with the prior year. 100 percent of this total amount is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$563,208, or 17 percent of total general fund expenditures.
- The Village's total debt decreased by \$344,348 during the current fiscal year as a result of principal payments throughout the 2003/2004 fiscal year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village's basic financial statements. The Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments).

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include legislative, general government, elections, clerk and treasurer, public safety, inspections, planning and zoning, public works, and highways and streets. The business-type activities of the Village include sewer and water operations.

The government-wide financial statements include not only the Village of Holly itself (known as the primary government), but also a legally separate Downtown Development Authority and Economic Development Corporation, for which the Village is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village maintains 12 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-21 of this report.

**Proprietary funds.** The Village maintains two types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village of Holly uses internal service funds to account for its motor pool fleet operations. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operations, both of which are considered to be major funds of the Village.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.



**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Village's own programs. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary fund financial statements can be found on page 25-26 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-48 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Holly, assets exceeded liabilities by \$16,459,980 at the close of the most recent fiscal year.

One of the largest portions of the Village's net assets (70.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

#### Village of Holly's Net Assets

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current and other assets	\$1,796,815	\$ 3,448,419	\$ 5,245,234
Capital assets	<u>1,589,533</u>	<u>12,129,361</u>	<u>13,718,894</u>
Total assets	<u>3,386,348</u>	<u>15,577,780</u>	<u>18,964,128</u>
Long-term liabilities			
outstanding	204,090	2,101,471	2,305,561
Other liabilities	<u>155,726</u>	<u>42,861</u>	<u>198,587</u>
Total liabilities	<u>359,816</u>	<u>2,144,332</u>	<u>2,504,148</u>
Net assets:			
Invested in capital assets, net of related debt	1,589,533	10,044,791	11,634,324
Restricted	-	159,282	159,282
Unrestricted	<u>1,436,999</u>	<u>3,229,375</u>	<u>4,666,374</u>
Total net assets	<u>\$ 3,026,532</u>	<u>\$ 13,433,448</u>	<u>\$ 16,459,980</u>

An additional portion of the Village's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$4,666,374) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Village's net assets increased by \$956,346 in the current fiscal year. This growth largely reflects the degree to which ongoing revenues were exceeded by ongoing expenses.

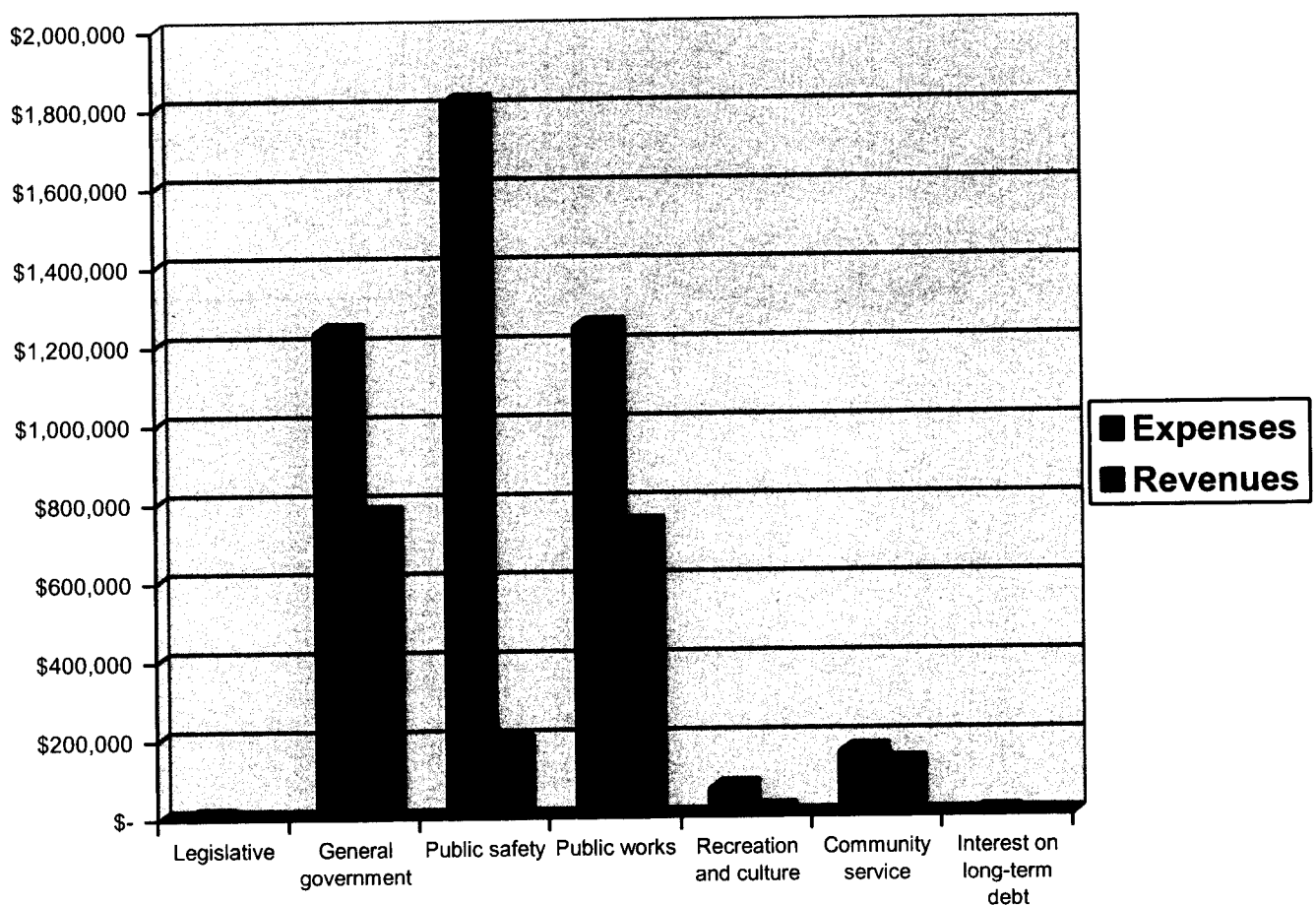
### Village of Holly's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Revenue:			
Program revenue:			
Charges for services	\$ 1,030,307	\$ 3,145,339	\$ 4,175,646
Operating grants and contributions	477,307	-	477,307
Capital grants and contributions	334,243	-	334,243
General revenue:			
Property taxes	1,785,491	-	1,785,491
Grants and contrib. not restricted to specific programs	670,323	-	670,323
Other	<u>59,437</u>	<u>85,276</u>	<u>144,713</u>
Total revenue	<u>4,357,108</u>	<u>3,230,615</u>	<u>7,587,723</u>
Expenses:			
Legislative	4,992	-	4,992
General government	1,234,097	-	1,234,097
Public safety	1,814,288	-	1,814,288
Public works	1,245,508	-	1,245,508
Recreation and culture	71,121	-	71,121
Community service	162,095	-	162,095
Interest on long-term debt	4,815	-	4,815
Sewer	-	1,439,195	1,439,195
Water	-	<u>655,266</u>	<u>655,266</u>
Total expenses	<u>4,536,916</u>	<u>2,094,461</u>	<u>6,631,377</u>
Increase (decrease) in net assets	(179,808)	1,136,154	956,346
Net assets – beginning of year	<u>3,206,340</u>	<u>12,297,294</u>	<u>15,503,634</u>
Total net assets	<u>\$ 3,026,532</u>	<u>\$ 13,433,448</u>	<u>\$ 16,459,980</u>

**Governmental activities.** Governmental activities decreased the Village's net assets by \$179,808, reducing the growth in the business-type activities and resulting in a decrease in the net assets of the Village. Key elements of this decrease are as follows:

- Property taxes decreased by \$9,025 (0.5 percent) during the year. Most of this decrease is the decrease in delinquent personal property taxes from the prior year.
- Grants and contributions not restricted to specific programs were composed of the sales tax revenues shared by the State of Michigan under the Revenue Sharing Act and the State's allocation was reduced by \$16,579 (2.4 percent) during the year.
- The Village expenses for governmental activities increased \$650,887 (16.7 percent) primarily due to increases in public safety and public works expenditures.

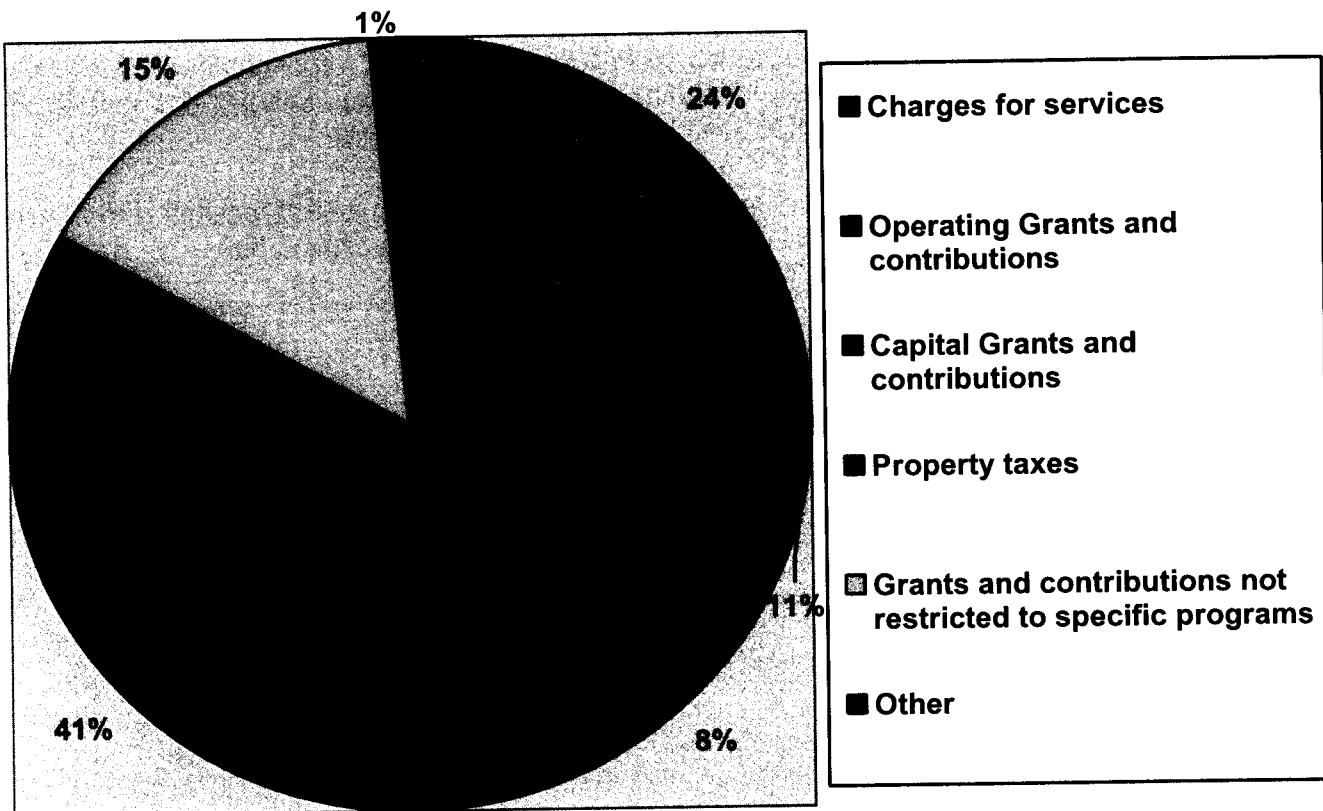
### Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities

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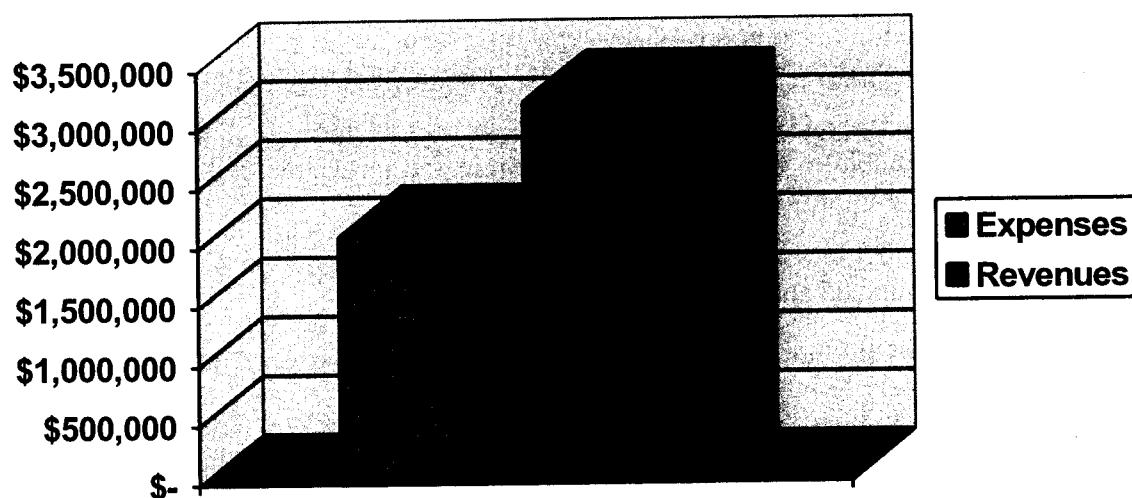
**Business-type activities.** Business-type activities increased the Village's net assets by \$1,136,154, offsetting the loss in the governmental activities and resulting in an overall decrease in the net assets of the Village. Key elements of this increase are as follows:

- Charges for services increased \$1,091,755 (53 percent) due to a significant increase in tap fees and additional customers added during the year.
- Expenses for providing these services increased by \$597,961 (40 percent) as a result of increased volume and customers.

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#### Expenses and Revenues - Business-type Activities

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## Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Village's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Village's governmental funds reported combined ending fund balances of \$1,709,809 a decrease of \$70,972 in comparison with the prior year. The total amount constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the Village. At the end of the current fiscal year, unreserved fund balance of the general fund was \$563,208. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. The unreserved fund balance represents 17 percent of total general fund expenditures.

The fund balance of the Village's general fund increased by \$17,290 during the current fiscal year. This is primarily attributable to additional charges for services revenue and decrease in buildings and grounds expenditures.

*Proprietary funds.* The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$2,658,972 and \$570,403, respectively. The sewer fund had an increase in net assets for the year of \$597,762 and the water fund had an increase in net assets for the year of \$538,392. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Village's business-type activities.

## General Fund Budgetary Highlights

Differences between the original and final amended budgets for expenditures resulted in an increase of \$187,923 in appropriations. The largest increase in the budget was in capital outlay of \$182,994.

Although budgeted expenditures were exceeded by the actual expenditures, this was offset by a larger increase in actual revenues over the budget.

## Capital Asset and Debt Administration

**Capital assets.** The Village's investment in capital assets for its governmental and business-type activities as of June 30, 2004, amounted to \$13,718,894 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and vehicles. The total decrease in the Village's investment in capital assets for the current fiscal year was 1.3 percent (an 8.4 percent decrease for governmental activities and a 0.3 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Completion of Silverman Deerlake watermain
- Purchase of a dump truck and backhoe/loader
- Sidewalk additions/replacement

### Village of Holly's Capital Assets (net of depreciation)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
Construction in progress	\$ -	\$ 308,983	\$ 308,983
Land	198,000	300,000	498,000
Buildings and infrastructure	959,241	-	959,241
Machinery and equipment	76,942	111,590	188,532
Utility plant	-	11,408,788	11,408,788
Vehicles	<u>355,350</u>	<u>-</u>	<u>355,350</u>
Total net assets	<u>\$ 1,589,533</u>	<u>\$ 12,129,361</u>	<u>\$ 13,718,894</u>

Additional information on the Village's capital assets can be found in note III.C on pages 40-41 of this report.

**Long-term debt.** At the end of the current fiscal year, the Village had the following bonds outstanding:

**Village of Holly's Outstanding Debt**  
General Obligation and Revenue Bonds

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2004</u>	<u>2004</u>	<u>2004</u>
General Obligation and revenue bonds	\$ _____	\$ <u>2,055,000</u>	\$ <u>2,055,000</u>

The Village's total debt decreased by \$341,416 (12.8 percent) during the current fiscal year, with the principal payments being the primary change during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the Village is \$12,857,471, which is significantly in excess of the Village's outstanding general obligation debt.

Additional information on the Village's long-term debt can be found in note III.F on pages 43-44 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Village's budget for the 2003-04 fiscal year:

- The February 2003 unemployment rate for the North Oakland County metropolitan area was 8.1 percent, which is an increase from a rate of 7.2 percent a year ago. This was higher than the state's February 2003 average unemployment rate of 6.6 percent and the national average rate of 5.9 percent.
- The Village is comprised principally of residential areas. There is a stable business base that includes some light industrial operation.
- Inflationary trends in the region compare favorably to national indices.

**Requests for Information**

This financial report is designed to provide a general overview of the Village's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's office, 212 Saginaw Street, Holly, Michigan.



## **BASIC FINANCIAL STATEMENTS**

**VILLAGE OF HOLLY**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 356,985	\$ 667,209	\$ 1,024,194	\$ 39,531
Investments	1,339,682	2,345,659	3,685,341	115,334
Receivables	100,148	375,839	475,987	1,192
Inventory	-	59,712	59,712	-
Nondepreciable capital assets	198,000	608,983	806,983	-
Depreciable capital assets, net	1,391,533	11,520,378	12,911,911	-
<b>Total assets</b>	<b>3,386,348</b>	<b>15,577,780</b>	<b>18,964,128</b>	<b>156,057</b>
<b>Liabilities</b>				
Accounts payable and accrued expenses	151,952	33,372	185,324	-
Noncurrent liabilities:				
Due within one year	95,509	125,575	221,084	-
Due in more than one year	112,355	1,985,385	2,097,740	-
<b>Total liabilities</b>	<b>359,816</b>	<b>2,144,332</b>	<b>2,504,148</b>	<b>-</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	1,589,533	10,044,791	11,634,324	-
Restricted for:				
Bond and interest redemption	-	159,282	159,282	-
Unrestricted	1,436,999	3,229,375	4,666,374	156,057
<b>Total net assets</b>	<b>\$ 3,026,532</b>	<b>\$ 13,433,448</b>	<b>\$ 16,459,980</b>	<b>\$ 156,057</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

<b>Functions / Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government</b>				
Governmental activities:				
Legislative	\$ 4,992	\$ -	\$ -	\$ -
General government	1,234,097	770,121	-	-
Public safety	1,814,288	151,710	35,924	-
Public works	1,245,508	40,051	365,686	334,243
Recreation and culture	71,121	13,782	-	-
Community service	162,095	54,643	75,697	-
Interest on long-term debt	4,815	-	-	-
Total governmental activities	<u>4,536,916</u>	<u>1,030,307</u>	<u>477,307</u>	<u>334,243</u>
Business-type activities:				
Sewer	1,439,195	2,013,927	-	-
Water	655,266	1,131,412	-	-
Total business-type activities	<u>2,094,461</u>	<u>3,145,339</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$6,631,377</u>	<u>\$ 4,175,646</u>	<u>\$ 477,307</u>	<u>\$ 334,243</u>
Component units:				
Downtown Development Authority	\$ 59,634	\$ 1,505	\$ -	\$ -
Economic Development Corporation	-	-	-	-
Total component units	<u>\$ 59,634</u>	<u>\$ 1,505</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (2,695,059)	\$ 1,050,878	\$ (1,644,181)	\$ (58,129)
General revenues:				
Property taxes	1,785,491	-	1,785,491	131,528
Grants and contributions not restricted to specific programs	670,323	-	670,323	-
Unrestricted investment earnings	30,235	25,398	55,633	1,592
Other revenue	29,202	59,878	89,080	-
Total general revenues	2,515,251	85,276	2,600,527	133,120
Change in net assets	(179,808)	1,136,154	956,346	74,991
Net assets, beginning of year, as restated	3,206,340	12,297,294	15,503,634	81,066
<b>Net assets, end of year</b>	<u>\$ 3,026,532</u>	<u>\$ 13,433,448</u>	<u>\$ 16,459,980</u>	<u>\$ 156,057</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

<b>ASSETS</b>	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Cash and cash equivalents	\$ 94,589	\$ 262,396	\$ 356,985
Investments	418,952	920,730	1,339,682
Receivables:			
Accounts	6,934	773	7,707
Taxes - delinquent	14,106	2,185	16,291
Special assessments	-	41,654	41,654
Contracts receivable	22,144	-	22,144
Due from other funds	145,665	-	145,665
Due from other governmental units	-	12,352	12,352
<b>TOTAL ASSETS</b>	<b>\$ 702,390</b>	<b>\$ 1,240,090</b>	<b>\$ 1,942,480</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 49,034	\$ 46,320	\$ 95,354
Accrued liabilities	50,125	2,866	52,991
Accrued compensated absences	3,774	-	3,774
Due to other funds	-	16,125	16,125
Deferred revenue	36,249	28,178	64,427
<b>TOTAL LIABILITIES</b>	<b>139,182</b>	<b>93,489</b>	<b>232,671</b>
<b>FUND BALANCES</b>			
Unreserved			
Designated for special projects	60,129	-	60,129
Undesignated - reported in:			
General fund	503,079	-	503,079
Special revenue funds	-	1,146,601	1,146,601
<b>TOTAL FUND BALANCES</b>	<b>563,208</b>	<b>1,146,601</b>	<b>1,709,809</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 702,390</b>	<b>\$ 1,240,090</b>	<b>\$ 1,942,480</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY**  
**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET**  
**FOR GOVERNMENTAL FUNDS TO NET ASSETS OF**  
**GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS**  
**JUNE 30, 2004**

Fund balances - total governmental funds	\$ 1,709,809
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	8,468,105
Deduct - accumulated depreciation	(6,963,486)
Other long-term assets are not available to pay for current period expenditures and, therefore, either deferred or otherwise not recorded in the funds	
Add - deferred revenue for delinquent taxes receivable	16,290
Add - deferred revenue for long-term special assessments receivable	25,993
Add - deferred revenue for long-term contracts receivable	22,144
Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
Add - net assets of governmental activities accounted for in the internal service funds	(45,746)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - long-term debt	(91,735)
Deduct - accrued interest on long-term debt	(2,487)
Deduct - long-term portion of compensated absences	(112,355)
Net assets of governmental activities	<u>\$ 3,026,532</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	General	Other Governmental Funds	Total
<b>REVENUES</b>			
Taxes and special assessments	\$ 1,465,429	\$ 373,410	\$ 1,838,839
Licenses and permits	71,506	-	71,506
Intergovernmental:			
State and federal grants	370,167	75,697	445,864
State shared revenue	670,323	360,686	1,031,009
Charges for services	669,929	202,928	872,857
Fines and forfeitures	36,215	-	36,215
Interest	9,529	20,706	30,235
Other	29,161	20,649	49,810
<b>TOTAL REVENUES</b>	<b>3,322,259</b>	<b>1,054,076</b>	<b>4,376,335</b>
<b>EXPENDITURES</b>			
Current:			
Legislative	8,208	-	8,208
General government	704,761	-	704,761
Public safety	1,663,485	-	1,663,485
Public works	516,667	433,454	950,121
Recreation and culture	-	62,676	62,676
Community service	34,071	128,024	162,095
Cemetery	-	103,724	103,724
Sanitation	-	202,954	202,954
Inspections	-	87,214	87,214
Debt service	-	96,144	96,144
Capital outlay	377,777	28,148	405,925
<b>TOTAL EXPENDITURES</b>	<b>3,304,969</b>	<b>1,142,338</b>	<b>4,447,307</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>17,290</b>	<b>(88,262)</b>	<b>(70,972)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>545,918</b>	<b>1,234,863</b>	<b>1,780,781</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 563,208</b>	<b>\$ 1,146,601</b>	<b>\$ 1,709,809</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Net change in fund balances - total governmental funds \$ (70,972)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	402,377
Deduct - depreciation expense	(526,292)

Certain revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenue in the funds, rather they are deferred to the following fiscal year

Add - increase in delinquent property taxes	2,245
Add - decrease in long-term portion of special assessments	(32,486)
Add - increase in contracts receivable	11,014

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	88,918
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Internal service funds are used by management to charge the costs of self insurance to individual governmental funds. The net revenue (expense) of the funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	(45,746)
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Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	2,411
Deduct - increase in the accrual for compensated absences	(11,277)

Change in net assets of governmental activities	<u>\$ (179,808)</u>
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The accompanying notes are an integral part of these financial statements.



**VILLAGE OF HOLLY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes and special assessments	\$ 1,485,614	\$ 1,477,073	\$ 1,465,429	\$ (11,644)
Licenses and permits	67,156	67,156	71,506	4,350
Intergovernmental:				
State and federal grants	40,716	40,716	370,167	329,451
State shared revenue	680,095	670,921	670,323	(598)
Charges for services	707,719	707,719	669,929	(37,790)
Fines and forfeitures	27,400	27,400	36,215	8,815
Interest and rents	15,000	15,000	9,529	(5,471)
Other	15,500	15,500	29,161	13,661
<b>TOTAL REVENUES</b>	<b>3,039,200</b>	<b>3,021,485</b>	<b>3,322,259</b>	<b>300,774</b>
<b>EXPENDITURES</b>				
<b>LEGISLATIVE</b>				
Village council	11,253	8,753	8,208	545
<b>GENERAL GOVERNMENT</b>				
Village manager	139,449	136,935	140,063	(3,128)
Elections	3,390	3,390	3,285	105
Legal	32,000	32,000	40,249	(8,249)
Data processing	11,473	11,473	13,366	(1,893)
Clerk - Treasurer	243,114	243,114	232,027	11,087
Building and grounds	81,581	85,435	122,139	(36,704)
Trees	1,250	1,250	1,400	(150)
Other	147,990	147,990	152,232	(4,242)
<b>TOTAL GENERAL GOVERNMENT</b>	<b>660,247</b>	<b>661,587</b>	<b>704,761</b>	<b>(43,174)</b>
<b>PUBLIC SAFETY</b>				
Police department	1,249,406	1,219,406	1,342,869	(123,463)
Fire department	-	39,218	39,997	(779)
Fire authority	280,665	280,665	280,619	46
<b>TOTAL PUBLIC SAFETY</b>	<b>1,530,071</b>	<b>1,539,289</b>	<b>1,663,485</b>	<b>(124,196)</b>
<b>PUBLIC WORKS</b>				
Public works department	522,041	522,041	516,667	5,374
Landfill site cleanup	1,100	-	-	-
<b>TOTAL PUBLIC WORKS</b>	<b>523,141</b>	<b>522,041</b>	<b>516,667</b>	<b>5,374</b>

(Continued)

**VILLAGE OF HOLLY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>COMMUNITY SERVICES</b>				
Inspection services	\$ 40,639	\$ 38,610	\$ 34,071	\$ 4,539
<b>CAPITAL OUTLAY</b>	93,850	276,844	377,777	(100,933)
<b>TOTAL EXPENDITURES</b>	2,859,201	3,047,124	3,304,969	(257,845)
<b>REVENUES OVER EXPENDITURES</b>	179,999	(25,639)	17,290	42,929
<b>OTHER FINANCING (USES)</b>				
Transfers (out)	(180,000)	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	(1)	(25,639)	17,290	42,929
<b>FUND BALANCE, BEGINNING OF YEAR</b>	545,918	545,918	545,918	-
<b>FUND BALANCE, END OF YEAR</b>	\$ 545,917	\$ 520,279	\$ 563,208	\$ 42,929

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2004**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities</b>
	<b>Sewer</b>	<b>Water</b>	<b>Total</b>	<b>Internal Service</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 522,149	\$ 145,060	\$ 667,209	\$ -
Investments	1,835,683	509,976	2,345,659	-
Accounts receivable	266,427	109,412	375,839	-
Inventory	59,712	-	59,712	-
<b>TOTAL CURRENT ASSETS</b>	<b>2,683,971</b>	<b>764,448</b>	<b>3,448,419</b>	<b>-</b>
<b>CAPITAL ASSETS</b>				
Plant and equipment	14,749,694	4,990,760	19,740,454	379,956
Construction in progress	185,883	123,100	308,983	-
Less allowance for accumulated depreciation	(6,569,295)	(1,350,781)	(7,920,076)	(295,042)
<b>NET CAPITAL ASSETS</b>	<b>8,366,282</b>	<b>3,763,079</b>	<b>12,129,361</b>	<b>84,914</b>
<b>TOTAL ASSETS</b>	<b>11,050,253</b>	<b>4,527,527</b>	<b>15,577,780</b>	<b>84,914</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 1,486	\$ 764	\$ 2,250	\$ 1,120
Accrued liabilities	6,140	2,686	8,826	-
Accrued compensated absences, current portion	3,689	-	3,689	-
Due to other funds	-	-	-	129,540
Accrued interest payable	472	17,743	18,215	-
Deposits payable	-	4,081	4,081	-
Lease payable, current portion	3,443	3,443	6,886	-
Bond payable, current portion	-	115,000	115,000	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>15,230</b>	<b>143,717</b>	<b>158,947</b>	<b>130,660</b>
<b>LONG-TERM LIABILITIES</b>				
Accrued compensated absences, net of current portion	13,212	9,489	22,701	-
Lease payable, net of current portion	11,342	11,342	22,684	-
Bond payable, net of current portion	-	1,940,000	1,940,000	-
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>24,554</b>	<b>1,960,831</b>	<b>1,985,385</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>39,784</b>	<b>2,104,548</b>	<b>2,144,332</b>	<b>130,660</b>
<b>NET ASSETS</b>				
Investment in capital assets	8,351,497	1,693,294	10,044,791	-
Restricted for bond and interest redemption	-	159,282	159,282	-
Unrestricted	2,658,972	570,403	3,229,375	(45,746)
<b>TOTAL NET ASSETS</b>	<b>\$ 11,010,469</b>	<b>\$ 2,422,979</b>	<b>\$ 13,433,448</b>	<b>\$ (45,746)</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Sewer	Water	Total	Governmental Activities Internal Service
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,013,927	\$ 1,131,412	\$ 3,145,339	\$ 108,815
Miscellaneous	-	59,878	59,878	-
<b>TOTAL OPERATING REVENUES</b>	<u>2,013,927</u>	<u>1,191,290</u>	<u>3,205,217</u>	<u>108,815</u>
<b>OPERATING EXPENSES</b>				
Salaries and wages	298,602	224,452	523,054	52,073
Employee benefits	101,660	53,559	155,219	-
Supplies	53,980	64,511	118,491	33,181
Contractual services	470,955	21,758	492,713	-
Insurance	21,028	11,176	32,204	18,213
Utilities	68,055	20,198	88,253	-
Repairs and maintenance	12,537	10,511	23,048	5,454
Equipment rental	15,572	22,970	38,542	-
Depreciation	308,894	117,007	425,901	40,485
Miscellaneous	87,440	16,924	104,364	5,155
<b>TOTAL OPERATING EXPENSES</b>	<u>1,438,723</u>	<u>563,066</u>	<u>2,001,789</u>	<u>154,561</u>
<b>OPERATING INCOME (LOSS)</b>	<u>575,204</u>	<u>628,224</u>	<u>1,203,428</u>	<u>(45,746)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenues	23,030	2,368	25,398	-
Interest expense	(472)	(92,200)	(92,672)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<u>22,558</u>	<u>(89,832)</u>	<u>(67,274)</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>597,762</u>	<u>538,392</u>	<u>1,136,154</u>	<u>(45,746)</u>
NET ASSETS, BEGINNING OF YEAR	<u>10,412,707</u>	<u>1,884,587</u>	<u>12,297,294</u>	<u>-</u>
<b>NET ASSETS (DEFICIT), END OF YEAR</b>	<u>\$ 11,010,469</u>	<u>\$ 2,422,979</u>	<u>\$ 13,433,448</u>	<u>\$ (45,746)</u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN  
PROPRIETARY FUNDS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Sewer	Water	Total	Governmental Activities Internal Service
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 2,020,201	\$ 1,137,337	\$ 3,157,538	\$ 108,815
Receipts from interfund services provided	-	-	-	22,907
Payments to employees	(400,262)	(278,011)	(678,273)	(52,073)
Payments to suppliers	(758,327)	(204,756)	(963,083)	(60,883)
Other operating revenue	-	59,878	59,878	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>861,612</b>	<b>714,448</b>	<b>1,576,060</b>	<b>18,766</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from capital lease	14,785	14,785	29,570	-
Principal paid on bonds and contracts payable	(175,000)	(110,000)	(285,000)	-
Interest and fiscal charges paid on bond and contracts payable	(472)	(92,200)	(92,672)	-
Acquisition and construction of capital assets	(213,275)	(179,061)	(392,336)	(18,766)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(373,962)</b>	<b>(366,476)</b>	<b>(740,438)</b>	<b>(18,766)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(492,868)	(288,535)	(781,403)	-
Interest on investments	23,030	2,368	25,398	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(469,838)</b>	<b>(286,167)</b>	<b>(756,005)</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>17,812</b>	<b>61,805</b>	<b>79,617</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR</b>	<b>504,337</b>	<b>83,255</b>	<b>587,592</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 522,149</b>	<b>\$ 145,060</b>	<b>\$ 667,209</b>	<b>\$ -</b>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>				
Operating income	\$ 575,204	\$ 628,224	\$ 1,203,428	\$ (45,746)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	308,894	117,007	425,901	40,485
Changes in assets and liabilities:				
Accounts receivable	6,274	5,925	12,199	-
Accounts payable and other accrued liabilities	(28,760)	(35,708)	(64,468)	1,120
Due to other funds	-	-	-	22,907
Deposits payable	-	(1,000)	(1,000)	-
<b>Net cash provided (used) by operating activities</b>	<b>861,612</b>	<b>714,448</b>	<b>1,576,060</b>	<b>18,766</b>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY  
FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2004**

<u>ASSETS</u>	<u>PRIVATE PURPOSE TRUST FUNDS</u>	<u>AGENCY FUNDS</u>
Cash and cash equivalents	\$ 61,127	\$ 13,045
Investments	<u>517,379</u>	<u>28,043</u>
<u>TOTAL ASSETS</u>	<u>578,506</u>	<u>\$ 41,088</u>
 LIABILITIES		
Deposits payable	<u>-</u>	<u>\$ 41,088</u>
 Net assets held in trust	<u>\$ 578,506</u>	

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY  
FIDUCIARY FUNDS  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS	
Contributions:	
Employer	\$ 69,714
Employee	<u>4,687</u>
Total contributions	<u>74,401</u>
Investment income:	
Net increase in fair value of investments	31,789
Dividend income	<u>2,415</u>
Net investment income	34,204
Other revenue	<u>6,150</u>
TOTAL ADDITIONS	<u>114,755</u>
DEDUCTIONS	
Retiree health care	<u>9,824</u>
TOTAL DEDUCTIONS	<u>9,824</u>
CHANGE IN NET ASSETS	104,931
NET ASSETS HELD IN TRUST	
Beginning of year	<u>473,575</u>
End of year	<u><u>\$ 578,506</u></u>

The accompanying notes are an integral part of these financial statements.

**VILLAGE OF HOLLY, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**JUNE 30, 2004**

	Downtown Development Authority	Economic Development Corporation	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,757	\$ 4,774	\$ 39,531
Investments	98,552	16,782	115,334
Accounts receivables	26	12	38
Taxes receivable	1,154	-	1,154
<b>TOTAL ASSETS</b>	<b>134,489</b>	<b>21,568</b>	<b>156,057</b>
<b>LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 134,489</u>	<u>\$ 21,568</u>	<u>\$ 156,057</u>

The accompanying notes are an integral part of these financial statements.



**VILLAGE OF HOLLY, MICHIGAN  
COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue</u>
<b>Downtown Development Authority</b>			
Governmental Activities:			
Economic development	<u>\$ 59,634</u>	<u>\$ 1,505</u>	<u>\$ (58,129)</u>
<b>Economic Development Corporation</b>			
Governmental Activities:			
Economic development	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u><u>\$ 59,634</u></u>	<u><u>\$ 1,505</u></u>	<u><u>\$ (58,129)</u></u>

**VILLAGE OF HOLLY, MICHIGAN**  
**COMBINING STATEMENT OF ACTIVITIES - CONCLUDED**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Downtown Development Authority</u>	<u>Economic Development Corporation</u>	<u>Total</u>
<b>Change in net assets</b>			
Net (expense) revenue	\$ (58,129)	\$ -	\$ (58,129)
<b>General revenues:</b>			
Property taxes	131,528	-	131,528
Unrestricted investment earnings	<u>1,328</u>	<u>264</u>	<u>1,592</u>
Total general revenues	<u>132,856</u>	<u>264</u>	<u>133,120</u>
Change in net assets	74,727	264	74,991
Net assets, beginning of year, as restated	<u>59,762</u>	<u>21,304</u>	<u>81,066</u>
<b>Net assets, end of year</b>	<u><u>\$ 134,489</u></u>	<u><u>\$ 21,568</u></u>	<u><u>\$ 156,057</u></u>

The accompanying notes are an integral part of these financial statements.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Holly, Michigan, conform to generally accepted accounting principles as applicable to government units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

#### A. REPORTING ENTITY

The Village of Holly is governed by a seven member council. As required by generally accepted accounting principles, these financial statements present the Village and its component units – entities for which the Village is considered to be financially accountable.

The component unit column in the combined financial statements represents a total of the Village's discretely presented component units as detailed in the combining component unit financial statements. They are reported in a separate column to emphasize that they are legally separate from the Village.

The governing bodies of the Downtown Development Authority (DDA) and Economic Development Corporation (EDC), are appointed by the Village Council. These component units provide economic development services inside the Village limits. These entities are fiscally dependent on the Village because the Village Council is responsible for approving their annual operating budgets and any debt issuances. All component units are accounted for as governmental fund types. Separate financial statements for the DDA and EDC are not prepared.

#### B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government, and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are

# **VILLAGE OF HOLLY, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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The government reports the following major governmental fund:

The *General Fund* is the principal operating fund of the Village. It is used to account for all revenues, expenditures, and activities not specifically accounted for in another fund.

The government reports the following major proprietary funds:

The *Sewer Fund* accounts for the activities of the government's sewage disposal and treatment system.

The *Water Fund* accounts for the activities of the government's water distribution and treatment system.

Additionally, the Village reports the following fund types:

The *Internal service fund* provides vehicle and equipment use to other departments or agencies of the government on a cost reimbursement basis.

The *Private Purpose Trust Funds* account for trust arrangements for the Cemetery Endowment and Retiree Health Care funds, which accumulate resources held in trust for those specific purposes.

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

# **VILLAGE OF HOLLY, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer and Water enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

#### **1. DEPOSITS AND INVESTMENTS**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

#### **2. RECEIVABLES AND PAYABLES**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property taxes are levied each July 1 on the taxable valuation of property, as equalized by the State, as of the preceding December 31, the lien date. The levy is considered past due on September 30 with the final collection date of February 28, when they are added to the county tax rolls.

Real property taxes not collected as of March 1 are turned over to Oakland County for collection, which advances the Village 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the Village Treasurer.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### 3. INVENTORY

Inventory in the Sewer Enterprise Fund is valued at cost using the "first-in, first-out" (FIFO) method of accounting. The cost of expendable supplies in other funds are recorded as expenditures when purchased.

### 4. CAPITAL ASSETS

Capital assets, which include property, plant, and equipment (the Village owns infrastructure assets such as water and sewer systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Improvements and buildings	20 - 50
Machinery and equipment	5 - 20
Utility plant in service	5 - 50
Public domain infrastructure	50

### 5. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

# **VILLAGE OF HOLLY, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **6. FUND EQUITY**

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

### **7. INTERFUND TRANSACTIONS**

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services. The accompanying financial statements generally reflect such transactions as transfers. Subsidies are also recorded as transfers.

The Internal Service Fund is used to record charges for services to all Village departments and funds as operating revenue. All affected Village funds record these payments to the Internal Service Fund as operating expenditures or expenses.

### **8. COMPENSATED ABSENCES**

Accumulated sick and vacation is accrued when incurred in the government wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

### **9. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to provide for these risks.

There was no change in coverage from the prior year. Settled claims have not exceeded the amounts of insurance coverage in any of the last three years.



**VILLAGE OF HOLLY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETS AND BUDGETARY ACCOUNTING**

Annual budgets for all governmental funds are adopted in compliance with Michigan Law. The budgets are prepared on the modified accrual basis which is consistent with generally accepted accounting principles.

Budget appropriations are prepared by the Village Manager and authorized by the Village Council on a departmental basis in accordance with sections of the Village Charter. All budget amendments, and interdepartmental budget transfers must be approved by the Village Council. The Village Manager can transfer budget amounts within departments without approval of the Village Council. Budgetary control is exercised at the department level for all funds.

The Village does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at the end of the fiscal year and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS FOR BUDGETARY FUNDS**

The following funds had excess of expenditures over appropriations at the legal level of budgetary control:

	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
General Fund			
General Government:			
Village manager	\$ 136,935	\$ 140,063	\$ (3,128)
Legal	32,000	40,249	(8,249)
Data processing	11,473	13,366	(1,893)
Building and grounds	85,435	122,139	(36,704)
Trees	1,250	1,400	(150)
Other	147,990	152,232	(4,242)
Public Safety			
Police department	1,219,406	1,342,869	(123,463)
Fire department	39,218	39,997	(779)
Capital outlay	276,844	377,777	(100,933)
Major Streets Fund			
Trees	10,400	16,705	(6,305)

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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	<u>Appropriation</u>	<u>Expenditure</u>	<u>Excess Expenditure</u>
Local Streets Fund			
Winter maintenance	\$ 19,500	\$ 20,368	\$ (868)
Trees	10,500	13,600	(3,100)
Cemetery Fund			
Capital outlay	3,250	5,550	(2,300)
Lake Improvement Fund			
Recreation and culture	5,000	7,089	(2,089)
Building Department Fund			
Inspections	57,669	87,214	(29,545)
Community Development Block Grant Fund			
Community service	33,923	37,753	(3,830)
Holly Transportation Fund			
Community service	43,595	51,264	(7,669)
Community Foundation Grant Fund			
Community service	-	39,007	(39,007)

### III. DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 1,024,194
Investments	3,685,341
Component Units:	
Cash and cash equivalents	39,531
Investments	115,334
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	74,172
Investments	<u>545,422</u>
Total	<u>\$ 5,483,994</u>

**VILLAGE OF HOLLY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Notes to Financial Statements:

Deposits	\$ 4,120,194
Investments	1,362,700
Cash on hand	<u>1,100</u>
Total	<u>\$ 5,483,994</u>

***Deposits***

At June 30, 2004, the carrying amount of the Village's deposits was \$4,120,194 and the bank balance was \$3,969,188. Of the bank balance, \$308,258 was covered by Federal Depository Insurance and \$3,660,930 was neither insured nor collateralized.

The Village maintains a cash and investment pool that is available for use by essentially all Village funds. The portion of this pool attributable to each separate fund type is shown on the Statement of Net Assets as "Cash and cash equivalents" or "Investments".

***Investments***

The Village is authorized by the Village Council to invest surplus funds in the following:

- Bonds, securities, repurchase agreements and other obligations of the United States or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks rated at the time of purchase within the two highest classifications established by not less than two standard rating services.
- Obligations described above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967.
- Investment pools organized under the Surplus Funds Investment Pool Act or the Local Government Investment Pool Act.
- Mutual funds registered under the Investment Company Act of 1940 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. The mutual fund must be limited to securities whose intention is to maintain a net asset value of \$1 per share which are rated at the time of purchase within the two highest classifications established by not less than two standard rating services.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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At year-end, the Village's investments are in accordance with statutory authority as follows:

	<u>Fair Value</u>
<b><i>Primary Government</i></b>	
Mutual funds	\$ 302,479
Governmental operating money market funds	<u>1,060,221</u>
Total	<u><u>\$1,362,700</u></u>

The Village's investments in mutual funds and governmental operating money market funds are not categorized as to risk because they are not evidenced by securities that exist in physical or book entry form.

### **B. Receivables**

Receivables in the primary government and component units are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Taxes	\$ 16,291	\$ -	\$ 1,154
Special assessments			
Due within one year	15,660	-	-
Due after one year	25,994	-	-
Accounts	6,624	374,600	-
Contracts			
Due within one year	2,229	-	-
Due after one year	19,915	-	-
Interest	1,083	1,239	38
Intergovernmental	<u>12,352</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 100,148</u></u>	<u><u>\$ 375,839</u></u>	<u><u>\$ 1,192</u></u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Property taxes receivable (General Fund)	\$ 14,105
Property taxes receivable (Non-major Governmental fund types)	2,185
Special assessments	25,993
Contracts receivable	<u>22,144</u>
Total	<u><u>\$ 64,427</u></u>

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2004 was as follows:

Primary Government	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 198,000	\$ -	\$ -	\$ 198,000
<b>Capital assets being depreciated:</b>				
Buildings	6,980,600	224,538	-	7,205,138
Machinery and equipment	333,855	7,325	-	341,180
Vehicles	914,463	189,280	-	1,103,743
Total capital assets being depreciated	<u>8,228,918</u>	<u>421,143</u>	<u>-</u>	<u>8,650,061</u>
Less accumulated depreciation				
Buildings	(5,811,385)	(434,512)	-	(6,245,897)
Machinery and equipment	(230,922)	(33,316)	-	(264,238)
Vehicles	(649,444)	(98,949)	-	(748,393)
Total accumulated depreciation	<u>(6,691,751)</u>	<u>(566,777)</u>	<u>-</u>	<u>(7,258,528)</u>
<b>Capital assets being depreciated, net</b>	<u>1,537,167</u>	<u>(145,634)</u>	<u>-</u>	<u>1,391,533</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 1,735,167</u>	<u>\$ (145,634)</u>	<u>\$ -</u>	<u>\$1,589,533</u>

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### Business-type activities

#### Capital assets not being depreciated:

Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Construction in progress	<u>40,740</u>	<u>294,694</u>	<u>(26,451)</u>	<u>308,983</u>

#### Capital assets not being depreciated

<u>340,740</u>	<u>294,694</u>	<u>(26,451)</u>	<u>608,983</u>
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#### Capital assets being depreciated:

Plant	19,009,706	66,977	-	19,076,683
Equipment and vehicles	<u>306,655</u>	<u>57,116</u>	<u>-</u>	<u>363,771</u>
Total capital assets being depreciated	<u>19,316,361</u>	<u>124,093</u>	<u>-</u>	<u>19,440,454</u>
Less accumulated depreciation				
Plant	(7,275,801)	(392,094)	-	(7,667,895)
Equipment and vehicles	<u>(218,374)</u>	<u>(33,807)</u>	<u>-</u>	<u>(252,181)</u>
Total accumulated depreciation	<u>(7,494,175)</u>	<u>(425,901)</u>	<u>-</u>	<u>(7,920,076)</u>

#### Capital assets being depreciated, net

<u>11,822,186</u>	<u>(301,808)</u>	<u>-</u>	<u>11,520,378</u>
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#### Business-type activities capital assets, net

<u>\$12,162,926</u>	<u>\$ ( 7,114)</u>	<u>\$ (26,451)</u>	<u>\$12,129,361</u>
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Depreciation expense was charged to functions/programs of the primary government as follows:

#### Governmental activities:

General government	\$ 423,498
Public safety	52,639
Public works	83,567
Recreation and culture	<u>7,073</u>

#### Total depreciation expense – governmental activities \$ 566,777

#### Business-type activities:

Sewer	\$ 308,894
Water	<u>117,007</u>

#### Total depreciation expense – business-type activities \$ 425,901

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### Construction commitments

The Village has four active construction projects as of June 30, 2004, in the water and sewer funds. The commitments for the projects are financed by revenues of the respective funds.

### D. PAYABLES

Accounts payable and accrued liabilities in the primary government are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Accounts	\$ 96,474	\$ 2,250
Wages, fringe benefits and other accrued liabilities	52,991	8,826
Deposits	-	4,081
Interest payable	2,487	18,215
Total	<u>\$ 151,952</u>	<u>\$ 33,372</u>

### E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

	<u>Due from</u>		
<u>Due to</u>	<u>Non-major Governmental Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>
General Fund	<u>\$ 16,125</u>	<u>\$ 129,540</u>	<u>\$145,665</u>

Interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

### F. LONG-TERM DEBT

Long-term debt of the Village is comprised of the following:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>GOVERNMENTAL ACTIVITIES</b>					
Michigan Department of Transportation note payable, dated October 30, 1998, with annual installments of \$96,144, including interest at 4% through 2005	\$ 180,653	\$ -	\$ (88,918)	\$ 91,735	\$ 91,735
Employee compensated absences	<u>114,321</u>	<u>1,808</u>	<u>-</u>	<u>116,129</u>	<u>3,774</u>
	<u>\$ 294,974</u>	<u>\$ 1,808</u>	<u>\$ (88,918)</u>	<u>\$ 207,864</u>	<u>\$ 95,509</u>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Contracts payable to Oakland County, which bear interest at 5.2%, dated 9/1/94, with principal installments of \$175,000 plus interest through 2004	175,000	-	(175,000)	-	-
Water Supply Revenue Bonds, Act 94 dated 6/1/99, which bear interest at 2.5%, principal due in annual installments of \$55,000 to \$90,000 through 2019, interest due semi-annually on October 1 and April 1	1,265,000	-	(60,000)	1,205,000	60,000
Water Revenue Bonds, Series 1991, which bear interest at 5.113%, principal due in annual installments of \$45,000 to \$110,000 through 2014, interest due semi-annually on November 1 and May 1	900,000	-	(50,000)	850,000	55,000
Capital lease payable, due in annual installments of \$8,290 through 2009	-	29,570	-	29,570	6,886
Employee compensated absences	<u>25,266</u>	<u>1,124</u>	<u>-</u>	<u>26,390</u>	<u>3,689</u>
	<u>\$2,365,266</u>	<u>\$ 30,694</u>	<u>\$ (285,000)</u>	<u>\$2,110,960</u>	<u>\$ 125,575</u>



# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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Note payable debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 91,735	\$ 3,669

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 115,000	\$ 85,923
2006	120,000	80,579
2007	125,000	75,001
2008	130,000	69,079
2009	140,000	62,750
2010-14	805,000	204,548
2015-19	530,000	41,906
2020	90,000	1,125
	<u>\$2,055,000</u>	<u>\$ 620,911</u>

There are a number of limitations and restrictions contained in the bond indenture. The Village is in compliance with all significant limitations and restrictions.

Capital lease debt service requirements to maturity are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 6,886	\$ 1,405
2006	7,214	1,077
2007	7,556	735
2008	7,914	376
	<u>\$ 29,570</u>	<u>\$ 3,593</u>

In the governmental activities, compensated absences are generally liquidated by the general fund.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### IV. OTHER INFORMATION

#### A. DEFINED BENEFIT PENSION PLAN

##### **Pension Plan**

##### Plan Description:

The Village of Holly, Michigan, contributes to the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit public employee retirement plan administered by the MERS Retirement Board. The Plan provides retirement and disability benefits, annual cost of living adjustments, and death benefits to Plan members and beneficiaries. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information for MERS. A copy of that report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, MI 48917 or by calling (800) 767-6377.

##### Funding Policy:

The Village is required to contribute at an actuarially determined rate; the current rate ranges between 14.39% and 15.58% of annual covered payroll. Employees are currently not required to contribute to the Plan. The contribution requirements of the Village are established, and may be amended, by the MERS Retirement Board. The contribution requirements of employees are established, and may be amended, by the Village depending on the MERS contribution program adopted by the Village.

##### Annual Pension Cost:

For the year ended June 30, 2004, the Village's annual pension cost of \$257,161 for MERS was equal to the Village's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return of the investment of present and future assets of 8%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases of 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% annually after retirement. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect fair value. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

# VILLAGE OF HOLLY, MICHIGAN

## NOTES TO THE FINANCIAL STATEMENTS

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### Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 178,980	100%	\$ -
6/30/03	209,627	100%	-
6/30/04	257,161	100%	-

### Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/01	\$4,746,724	\$ 5,779,779	\$1,033,055	82%	\$1,421,386	73%
12/31/02	5,037,558	6,334,067	1,296,509	80%	1,456,752	89%
12/31/03	5,541,462	7,427,243	1,885,781	75%	1,456,752	123%

## **E. RESTATEMENTS**

### **Implementation of new accounting standards**

As of and for the year ended June 30, 2004, the Village implemented the following Governmental Accounting Standards Board pronouncements:

#### **Statements**

- ◆ No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- ◆ No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- ◆ No. 38 – *Certain Financial Statement Note Disclosures*

#### **Interpretation**

- ◆ No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

# **VILLAGE OF HOLLY, MICHIGAN**

## **NOTES TO THE FINANCIAL STATEMENTS**

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The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The Village was required to implement the new requirements no later than the current fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards include:

- ◆ Management's discussion and analysis;
- ◆ Basic financial statements that include:
  - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
  - Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
  - Schedules to reconcile the fund financial statements to the government-wide financial statements;
  - Notes to the basic financial statements;
- ◆ Required supplementary information, including certain budgetary schedules.

**VILLAGE OF HOLLY, MICHIGAN**  
**NOTES TO THE FINANCIAL STATEMENTS**

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As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to beginning net assets:

*Government-wide financial statements.*

Beginning net assets for governmental activities were determined as follows:

Fund balances of general and special revenue funds as of 6/30/03	\$ 1,780,781
Add: deferred portion of taxes receivable, as of 6/30/03	14,049
Add: deferred portion of special assessments, receivable as of 6/30/03	58,475
Add: deferred portion of contracts receivable, as of 6/30/03	11,130
Add: governmental capital assets, including general fixed assets, as of 6/30/03	8,065,728
Deduct: accumulated depreciation as of 6/30/03 on above governmental capital assets	(6,437,194)
Deduct: notes payable as of 6/30/03	(180,653)
Deduct: accumulated compensated absences liability as of 6/30/03	(101,078)
Deduct: accrued interest payable as of 6/30/03	<u>(4,898)</u>
Governmental net assets, restated, as of 6/30/03	<u>\$ 3,206,340</u>

**F. CONTINGENT LIABILITIES**

The Village is engaged in routine litigation incidental to the conduct of its affairs. In the opinion of legal counsel, no legal proceedings are pending against the Village which are not covered by insurance or which would inhibit the Village's ability to perform its operations or materially affect its financial condition.

**G. SUBSEQUENT EVENTS**

On August 10, 2004, the Village issued \$6,500,000 of wastewater revenue bonds. These bonds were issued to fund improvements to the Village's wastewater treatment system.

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## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

#### **Major Street, Local Street and Municipal Street Funds**

These funds are used to account for major and local streets maintenance funds received from the State of Michigan and from special assessment levies for sidewalks.

#### **Parks and Recreation Fund**

This fund is used to account for the revenues received for the use of Village park facilities.

#### **Cemetery Fund**

This fund is used to account for revenues received from the operations of the Village's Cemetery, including grave sales and burials.

#### **Lake Improvement Fund**

These funds are used to account for special assessment revenues received for purposes of improving the Holly Mill Pond.

#### **Solid Waste Fund**

This fund is used to account for revenues received for garbage collection fees.

#### **Building Department Fund**

These funds are used to account for revenues received for inspections services provided by the Village.

#### **Community Development Block Grant Fund (CDBG)**

This fund is used to account for revenues received from the U.S. Department of Housing and Urban Development relative to the CDBG program.

#### **Holly Area Transportation Fund**

This fund is used to account for revenues received for transportation services fees.

#### **Community Foundation Grant Fund**

This fund is used to account for revenues received from the Community Foundation for Southeastern Michigan.

**VILLAGE OF HOLLY, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2004**

**SPECIAL REVENUE FUNDS**

	Major Street	Local Street	Municipal Street	Parks and Recreation	Cemetery	Lake Improvement	Solid Waste	Building Department	CDBG	Holly Area Transportation	Community Foundation Grant	Total
<b>ASSETS</b>												
Cash and cash equivalents	\$ 113,177	\$ 48,441	\$ 63,575	\$ 11,632	\$ 5,233	\$ 701	\$ 12,412	\$ 4,934	\$ 1,249	\$ 1,042	\$ -	\$ 262,396
Investments	397,890	170,300	223,506	39,136	18,396	2,465	43,635	17,347	4,391	3,664	-	920,730
Interest receivable	272	130	144	27	166	-	34	-	-	-	-	773
Taxes receivable	-	-	-	355	356	-	1,474	-	-	-	-	2,185
Special assessments receivable	-	-	35,514	-	-	6,140	-	-	-	-	-	41,654
Due from other governments	-	-	-	-	-	-	-	-	-	12,352	-	12,352
<b>TOTAL ASSETS</b>	<b>\$ 511,339</b>	<b>\$ 218,871</b>	<b>\$ 322,739</b>	<b>\$ 51,150</b>	<b>\$ 24,151</b>	<b>\$ 9,306</b>	<b>\$ 57,555</b>	<b>\$ 22,281</b>	<b>\$ 5,640</b>	<b>\$ 17,058</b>	<b>\$ -</b>	<b>\$ 1,240,090</b>
<b>LIABILITIES AND FUND BALANCES</b>												
<b>LIABILITIES</b>												
Accounts payable	\$ 17,411	\$ 2,439	\$ -	\$ 6,844	\$ 2,230	\$ -	\$ 16,790	\$ -	\$ -	\$ 606	\$ -	\$ 46,320
Accrued liabilities	-	-	-	417	1,176	-	-	-	-	1,273	-	2,866
Due to other funds	-	-	-	-	-	4,325	-	-	-	11,800	-	16,125
Deferred revenue	-	-	24,423	355	356	1,570	1,474	-	-	-	-	28,178
<b>TOTAL LIABILITIES</b>	<b>17,411</b>	<b>2,439</b>	<b>24,423</b>	<b>7,616</b>	<b>3,762</b>	<b>5,895</b>	<b>18,264</b>	<b>-</b>	<b>-</b>	<b>13,679</b>	<b>-</b>	<b>93,489</b>
<b>FUND BALANCES</b>												
Unreserved, undesignated	493,928	216,432	298,316	43,534	20,389	3,411	39,291	22,281	5,640	3,379	-	1,146,601
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 511,339</b>	<b>\$ 218,871</b>	<b>\$ 322,739</b>	<b>\$ 51,150</b>	<b>\$ 24,151</b>	<b>\$ 9,306</b>	<b>\$ 57,555</b>	<b>\$ 22,281</b>	<b>\$ 5,640</b>	<b>\$ 17,058</b>	<b>\$ -</b>	<b>\$ 1,240,090</b>

VILLAGE OF HOLLY, MICHIGAN  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

SPECIAL REVENUE FUNDS

	Major Street	Local Street	Municipal Street	Parks and Recreation	Cemetery	Lake Improvement	Solid Waste	Building Department	CDBG	Holly Area Transportation	Community Foundation Grant	Total
<b>REVENUES</b>												
Taxes	\$ -	\$ -	\$ -	\$ 55,927	\$ 55,927	\$ -	\$ 205,967	\$ -	\$ -	\$ -	\$ -	\$ 317,821
Special assessment	-	-	47,989	-	-	7,600	-	-	-	-	-	55,589
Intergovernmental:												
Federal	-	-	-	-	-	-	-	-	36,908	-	-	36,908
State	260,813	99,873	-	-	-	-	-	-	-	-	38,789	399,475
Charges for services	-	-	-	9,212	27,925	-	1,872	109,276	-	54,643	-	202,928
Interest	6,314	2,524	5,605	757	3,621	-	1,448	219	-	-	218	20,706
Other revenue	7,804	12,804	-	41	-	-	-	-	-	-	-	20,649
<b>TOTAL REVENUES</b>	<b>274,931</b>	<b>115,201</b>	<b>53,594</b>	<b>65,937</b>	<b>87,473</b>	<b>7,600</b>	<b>209,287</b>	<b>109,495</b>	<b>36,908</b>	<b>54,643</b>	<b>39,007</b>	<b>1,054,076</b>
<b>EXPENDITURES</b>												
Current:												
Public works	330,566	102,888	-	-	-	-	-	-	-	-	-	433,454
Recreation and culture	-	-	-	55,587	-	7,089	-	-	-	-	-	62,676
Community service	-	-	-	-	-	-	-	-	37,753	51,264	39,007	128,024
Cemetery	-	-	-	-	103,724	-	-	-	-	-	-	103,724
Sanitation	-	-	-	-	-	-	202,954	-	-	-	-	202,954
Inspections	-	-	-	-	-	-	-	87,214	-	-	-	87,214
Debt service	96,144	-	-	-	-	-	-	-	-	-	-	96,144
Capital outlay	-	-	18,274	4,324	5,550	-	-	-	-	-	-	28,148
<b>TOTAL EXPENDITURES</b>	<b>426,710</b>	<b>102,888</b>	<b>18,274</b>	<b>59,911</b>	<b>109,274</b>	<b>7,089</b>	<b>202,954</b>	<b>87,214</b>	<b>37,753</b>	<b>51,264</b>	<b>39,007</b>	<b>1,142,338</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(151,779)</b>	<b>12,313</b>	<b>35,320</b>	<b>6,026</b>	<b>(21,801)</b>	<b>511</b>	<b>6,333</b>	<b>22,281</b>	<b>(845)</b>	<b>3,379</b>	<b>-</b>	<b>(88,262)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>645,707</b>	<b>204,119</b>	<b>262,996</b>	<b>37,508</b>	<b>42,190</b>	<b>2,900</b>	<b>32,958</b>	<b>-</b>	<b>6,485</b>	<b>-</b>	<b>-</b>	<b>1,234,863</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 493,928</b>	<b>\$ 216,432</b>	<b>\$ 298,316</b>	<b>\$ 43,534</b>	<b>\$ 20,389</b>	<b>\$ 3,411</b>	<b>\$ 39,291</b>	<b>\$ 22,281</b>	<b>\$ 5,640</b>	<b>\$ 3,379</b>	<b>\$ -</b>	<b>\$ 1,146,601</b>



**VILLAGE OF HOLLY, MICHIGAN  
MAJOR STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
State shared revenue	\$ 218,716	\$ 218,716	\$ 260,813	\$ 42,097
Interest and rents	6,000	6,000	6,314	314
Other revenue	-	-	7,804	7,804
<b>TOTAL REVENUES</b>	<b>224,716</b>	<b>224,716</b>	<b>274,931</b>	<b>50,215</b>
<b>EXPENDITURES</b>				
<b>PUBLIC WORKS</b>				
Highways and streets:				
Maintenance	1,059,786	1,059,786	253,062	806,724
Winter Maintenance	28,000	28,000	21,328	6,672
Trees	10,400	10,400	16,705	(6,305)
Traffic services and other	41,413	41,413	39,471	1,942
<b>TOTAL PUBLIC WORKS</b>	<b>1,139,599</b>	<b>1,139,599</b>	<b>330,566</b>	<b>809,033</b>
<b>Debt service</b>	<b>96,144</b>	<b>96,144</b>	<b>96,144</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>1,235,743</b>	<b>1,235,743</b>	<b>426,710</b>	<b>809,033</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,011,027)</b>	<b>(1,011,027)</b>	<b>(151,779)</b>	<b>859,248</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	150,000	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(861,027)</b>	<b>(1,011,027)</b>	<b>(151,779)</b>	<b>859,248</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>645,707</b>	<b>645,707</b>	<b>645,707</b>	<b>-</b>
<b>FUND BALANCE (DEFICIT), END OF YEAR</b>	<b>\$ (215,320)</b>	<b>\$ (365,320)</b>	<b>\$ 493,928</b>	<b>\$ 859,248</b>

**VILLAGE OF HOLLY, MICHIGAN  
LOCAL STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
State shared revenue	\$ 85,000	\$ 85,000	\$ 99,873	\$ 14,873
Interest and rents	3,800	3,800	2,524	(1,276)
Other revenue	-	-	12,804	12,804
<b>TOTAL REVENUES</b>	<b>88,800</b>	<b>88,800</b>	<b>115,201</b>	<b>26,401</b>
<b>EXPENDITURES</b>				
<b>PUBLIC WORKS</b>				
Highways and streets:				
Maintenance	64,843	64,843	53,446	11,397
Winter Maintenance	19,500	19,500	20,368	(868)
Trees	10,500	10,500	13,600	(3,100)
Traffic services and other	21,104	21,104	15,474	5,630
<b>TOTAL EXPENDITURES</b>	<b>115,947</b>	<b>115,947</b>	<b>102,888</b>	<b>13,059</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(27,147)</b>	<b>(27,147)</b>	<b>12,313</b>	<b>39,460</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>204,119</b>	<b>204,119</b>	<b>204,119</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 176,972</b>	<b>\$ 176,972</b>	<b>\$ 216,432</b>	<b>\$ 39,460</b>

**VILLAGE OF HOLLY, MICHIGAN  
MUNICIPAL STREETS FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 40,500	\$ 40,500	\$ 47,989	\$ 7,489
Interest and rents	3,000	3,000	5,605	2,605
<b>TOTAL REVENUES</b>	<u>43,500</u>	<u>43,500</u>	<u>53,594</u>	<u>10,094</u>
<b>EXPENDITURES</b>				
Capital outlay	<u>229,587</u>	<u>229,587</u>	<u>18,274</u>	<u>211,313</u>
<b>NET CHANGE IN FUND BALANCE</b>	(186,087)	(186,087)	35,320	221,407
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>262,996</u>	<u>262,996</u>	<u>262,996</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 76,909</u>	<u>\$ 76,909</u>	<u>\$ 298,316</u>	<u>\$ 221,407</u>

**VILLAGE OF HOLLY, MICHIGAN  
PARKS AND RECREATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 56,240	\$ 56,240	\$ 55,927	\$ (313)
Charges for services	3,350	8,701	9,212	511
Interest and rents	500	500	757	257
Other revenue	-	-	41	41
<b>TOTAL REVENUES</b>	<b>60,090</b>	<b>65,441</b>	<b>65,937</b>	<b>496</b>
<b>EXPENDITURES</b>				
Recreation and culture	54,565	56,165	55,587	578
Capital outlay	450	7,259	4,324	2,935
<b>TOTAL EXPENDITURES</b>	<b>55,015</b>	<b>63,424</b>	<b>59,911</b>	<b>3,513</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>5,075</b>	<b>2,017</b>	<b>6,026</b>	<b>4,009</b>
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<b>37,508</b>	<b>37,508</b>	<b>37,508</b>	<b>-</b>
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 42,583</b>	<b>\$ 39,525</b>	<b>\$ 43,534</b>	<b>\$ 4,009</b>

**VILLAGE OF HOLLY, MICHIGAN  
CEMETERY FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 56,240	\$ 56,240	\$ 55,927	\$ (313)
Charges for services	35,500	35,500	27,925	(7,575)
Interest and rents	3,000	3,000	3,621	621
<b>TOTAL REVENUES</b>	<u>94,740</u>	<u>94,740</u>	<u>87,473</u>	<u>(7,267)</u>
<b>EXPENDITURES</b>				
Cemetery	124,458	124,458	103,724	20,734
Capital outlay	-	3,250	5,550	(2,300)
<b>TOTAL EXPENDITURES</b>	<u>124,458</u>	<u>127,708</u>	<u>109,274</u>	<u>18,434</u>
<b>NET CHANGE IN FUND BALANCE</b>	(29,718)	(32,968)	(21,801)	11,167
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>42,190</u>	<u>42,190</u>	<u>42,190</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 12,472</u>	<u>\$ 9,222</u>	<u>\$ 20,389</u>	<u>\$ 11,167</u>

**VILLAGE OF HOLLY, MICHIGAN  
LAKE IMPROVEMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Special assessments	\$ 5,000	\$ 5,000	\$ 7,600	\$ 2,600
<b>EXPENDITURES</b>				
Recreation and culture	5,000	5,000	7,089	(2,089)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	511	511
<b>FUND BALANCE, BEGINNING OF YEAR</b>	2,900	2,900	2,900	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 2,900</u>	<u>\$ 2,900</u>	<u>\$ 3,411</u>	<u>\$ 511</u>

**VILLAGE OF HOLLY, MICHIGAN  
SOLID WASTE FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 204,553	\$ 204,553	\$ 205,967	\$ 1,414
Charges for services	950	950	1,872	922
Interest and rents	1,000	1,000	1,448	448
<b>TOTAL REVENUES</b>	206,503	206,503	209,287	2,784
<b>EXPENDITURES</b>				
Sanitation	206,503	206,503	202,954	3,549
<b>NET CHANGE IN FUND BALANCE</b>	-	-	6,333	6,333
<b>FUND BALANCE, BEGINNING OF YEAR</b>	32,958	32,958	32,958	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 32,958</u>	<u>\$ 32,958</u>	<u>\$ 39,291</u>	<u>\$ 6,333</u>

**VILLAGE OF HOLLY, MICHIGAN  
BUILDING DEPARTMENT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 59,000	\$ 59,000	\$ 109,276	\$ 50,276
Interest and rents	-	-	219	219
<b>TOTAL REVENUES</b>	59,000	59,000	109,495	50,495
<b>EXPENDITURES</b>				
Inspections	57,669	57,669	87,214	(29,545)
<b>NET CHANGE IN FUND BALANCE</b>	1,331	1,331	22,281	20,950
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ 1,331	\$ 1,331	\$ 22,281	\$ 20,950



**VILLAGE OF HOLLY, MICHIGAN  
COMMUNITY DEVELOPMENT BLOCK GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Intergovernmental:				
Federal	\$ 33,923	\$ 33,923	\$ 36,908	\$ 2,985
<b>EXPENDITURES</b>				
Community service	33,923	33,923	37,753	(3,830)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	(845)	(845)
FUND BALANCE, BEGINNING OF YEAR	6,485	6,485	6,485	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 6,485</u>	<u>\$ 6,485</u>	<u>\$ 5,640</u>	<u>\$ (845)</u>

**VILLAGE OF HOLLY, MICHIGAN  
HOLLY AREA TRANSPORTATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
Charges for services	\$ 43,595	\$ 43,595	\$ 54,643	\$ 11,048
<b>EXPENDITURES</b>				
Community service	43,595	43,595	51,264	(7,669)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	3,379	3,379
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ -	\$ 3,379	\$ 3,379

**VILLAGE OF HOLLY, MICHIGAN  
COMMUNITY FOUNDATION GRANT FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
<b>REVENUES</b>				
State grants	\$ -	\$ -	\$ 38,789	\$ 38,789
Interest and rents	-	-	218	218
<b>TOTAL REVENUES</b>	-	-	39,007	39,007
<b>EXPENDITURES</b>				
Community service	-	-	39,007	(39,007)
<b>NET CHANGE IN FUND BALANCE</b>	-	-	-	-
<b>FUND BALANCE, BEGINNING OF YEAR</b>	-	-	-	-
<b>FUND BALANCE, END OF YEAR</b>	\$ -	\$ -	\$ -	\$ -

## **FIDUCIARY FUNDS**

Fiduciary Funds are funds set up to account for assets held by the Village, in a fiduciary capacity, for individuals, organizations, other units of government or other funds. These funds are grouped into two categories:

1. **Private-Purpose Trust Funds** – To account for assets held in trusts under which the principal and income benefit individuals, private organizations and other governments.

### **Cemetery Endowment Expendable Trust Fund**

This fund is used to account for proceeds from grave sales set-aside by the Village to make capital purchases for the cemetery.

### **Retiree Healthcare Expendable Trust Fund**

This fund was established by the Village to fund future payments of the Village's portion of retiree healthcare expenditures.

Employees may become eligible to receive benefits beginning  
July 1, 2002.

2. **Agency Fund** - This fund is used to account for the assets held by the Village in a trustee capacity for other individuals, governmental entities, and non-public organizations, to be distributed at a later time.

**VILLAGE OF HOLLY, MICHIGAN  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	Cemetery Endowment	Retiree Healthcare	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 53,788	\$ 7,339	\$ 61,127
Investments	189,097	328,282	517,379
<b>TOTAL ASSETS</b>	<b>\$ 242,885</b>	<b>\$ 335,621</b>	<b>\$ 578,506</b>
<b>Net assets:</b>			
Held in trust for specific programs	\$ 242,885	\$ 335,621	\$ 578,506

**VILLAGE OF HOLLY, MICHIGAN  
PRIVATE PURPOSE TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2004**

	Cemetery Endowment	Retiree Healthcare	Total
<b>ADDITIONS</b>			
Employer contributions	\$ -	\$ 69,714	\$ 69,714
Employee contributions	-	4,687	4,687
Dividend income	-	2,415	2,415
Net increase in fair value of investments	-	31,789	31,789
Other revenue	6,150	-	6,150
<b>TOTAL ADDITIONS</b>	6,150	108,605	114,755
<b>DEDUCTIONS</b>			
Retiree health care	-	9,824	9,824
<b>CHANGE IN NET ASSETS</b>	6,150	98,781	104,931
<b>NET ASSETS, BEGINNING OF YEAR</b>	236,735	236,840	473,575
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 242,885</u>	<u>\$ 335,621</u>	<u>\$ 578,506</u>

**VILLAGE OF HOLLY, MICHIGAN**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Balance July 1, 2003	Additions	Deductions	Balance June 30, 2004
<b>ASSETS</b>				
Cash and cash equivalents	\$ 17,995	\$ 1,972,864	\$ 1,977,814	\$ 13,045
Investments	34,645	-	6,602	28,043
<b>TOTAL ASSETS</b>	<b>\$ 52,640</b>	<b>\$ 1,972,864</b>	<b>\$ 1,984,416</b>	<b>\$ 41,088</b>
<b>LIABILITIES</b>				
Deposits payable	\$ 52,640	\$ 2,100,238	\$ 2,111,790	\$ 41,088

**Downtown Development Authority**  
**Component Unit Financial Statements**



**VILLAGE OF HOLLY, MICHIGAN**  
**DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT**  
**STATEMENT OF NET ASSETS AND BALANCE SHEET - GOVERNMENTAL FUND**  
**JUNE 30, 2004**

	Downtown Development Authority	Adjustments	Statement of Activities
<b>ASSETS</b>			
Cash and cash equivalents	\$ 34,757	\$ -	\$ 34,757
Investments	98,552	-	98,552
Accounts receivables	26	-	26
Taxes receivable	1,154	-	1,154
<b>TOTAL ASSETS</b>	<b>\$ 134,489</b>	<b>\$ -</b>	<b>\$ 134,489</b>
<b>LIABILITIES</b>			
Deferred revenue	\$ 1,154	\$ (1,154)	\$ -
<b>FUND BALANCES</b>			
Unreserved - undesignated	133,335	(133,335)	-
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 134,489</b>		
<b>NET ASSETS</b>			
Unrestricted		\$ 134,489	\$ 134,489

**VILLAGE OF HOLLY, MICHIGAN  
DOWNTOWN DEVELOPMENT AUTHORITY COMPONENT UNIT  
STATEMENT OF ACTIVITIES AND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004**

	Downtown Development Authority	Adjustments	Statement of Activities
<b>REVENUES</b>			
Taxes	\$ 131,049	\$ 479	\$ 131,528
Charges for services	1,505	-	1,505
Interest	1,328	-	1,328
<b>TOTAL REVENUES</b>	133,882	479	134,361
<b>EXPENDITURES</b>			
Economic development	59,634	-	59,634
<b>CHANGE IN FUND BALANCE / NET ASSETS</b>	74,248	479	74,727
<b>FUND BALANCE / NET ASSETS, BEGINNING OF YEAR</b>	59,087	675	59,762
<b>FUND BALANCE / NET ASSETS, END OF YEAR</b>	<u>\$ 133,335</u>	<u>\$ 1,154</u>	<u>\$ 134,489</u>

## **STATISTICAL SECTION**

Statistical tables differ from the financial statements because they usually cover more than one year and may present non-accounting data. These tables reflect social and economic data, financial trends and the fiscal capability of the Village of Holly.

# VILLAGE OF HOLLY, MICHIGAN

## GENERAL GOVERNMENT EXPENDITURES BY FUNCTION - UNAUDITED LAST TEN FISCAL YEARS

Fiscal Year Ended	General Government	Public Safety	Public Works	Recreation and Culture	Community Service	Cemetery	Sanitation	Debt Service	Capital	Total
1995	\$ 497,220	\$ 912,376	\$ 908,654	\$ 29,046	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,347,296
1996	448,126	977,317	764,564	52,617	-	-	-	-	-	2,242,624
1997	438,783	1,127,930	840,728	32,312	-	-	-	-	-	2,439,753
1998	539,242	1,012,312	633,967	40,501	222,524	102,663	154,979	-	116,711	2,822,899
1999	651,511	1,116,233	754,813	30,856	123,342	94,690	158,294	-	53,034	2,982,773
2000	542,233	1,228,864	1,441,505	77,932	122,378	99,995	164,723	96,144	67,400	3,841,174
2001	564,095	1,240,239	1,290,306	43,503	164,482	106,450	194,005	96,144	161,198	3,860,422
2002	626,003	1,329,187	1,138,063	62,267	240,579	118,272	193,149	96,144	395,880	4,199,544
2003	720,778	1,453,411	835,000	54,632	269,330	116,712	199,928	96,144	129,154	3,875,089
2004	712,969	1,663,485	950,121	62,676	249,309	103,724	202,954	96,144	405,925	4,447,307

Includes General and Special Revenue Funds.

# VILLAGE OF HOLLY, MICHIGAN

## GENERAL GOVERNMENT REVENUES BY SOURCE - UNAUDITED LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeits	Other	Total
1995	\$ 1,002,068	\$ 63,070	\$ 790,150	\$ 326,230	\$ 18,637	\$ 111,987	\$ 2,312,142
1996	1,020,784	66,277	838,313	89,454	15,914	128,100	2,158,842
1997	1,111,514	125,186	872,639	119,666	18,209	126,632	2,373,846
1998	1,194,618	188,859	937,223	459,258	12,803	191,170	2,983,931
1999	1,465,028	97,871	977,567	484,152	15,063	191,376	3,231,057
2000	1,641,971	105,912	1,078,555	521,268	18,439	206,332	3,572,477
2001	1,723,302	99,696	1,155,086	571,016	18,225	202,109	3,769,434
2002	1,785,323	104,565	1,179,117	701,759	25,357	184,074	3,980,195
2003	1,858,088	141,663	1,231,887	723,953	28,856	100,741	4,085,188
2004	1,838,839	71,506	1,476,873	872,857	36,215	80,045	4,376,335

Includes General and Special Revenue Funds.

**VILLAGE OF HOLLY**  
**PROPERTY TAX LEVIES AND COLLECTIONS - UNAUDITED**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collection</u>	<u>Percent Of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collected To Tax Levy (1)</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent Of Delinquent Taxes To Tax Levy</u>
1995	\$ 949,874	\$ 838,123	88.2%	\$ 111,751	\$ 947,966	99.8%	\$ 1,924	0.2%
1996	1,010,624	904,776	89.5%	105,848	1,006,273	99.6%	4,351	0.4%
1997	1,077,539	968,731	89.9%	108,808	1,071,421	99.4%	6,118	0.6%
1998	1,149,737	1,050,336	91.4%	93,049	1,143,687	99.5%	6,049	0.5%
1999	1,419,837	1,277,431	90.0%	142,406	1,414,476	99.6%	6,445	0.5%
2000	1,612,024	1,478,610	91.7%	134,479	1,605,578	99.6%	5,361	0.3%
2001	1,658,922	1,528,787	92.2%	121,107	1,652,477	99.6%	9,170	0.6%
2002	1,852,744	1,719,556	92.8%	133,188	1,842,035	99.4%	10,709	0.6%
2003	1,883,865	1,750,644	92.9%	133,221	1,874,188	99.5%	9,677	0.5%
2004	1,917,551	1,813,379	94.6%	107,785	1,912,321	99.7%	5,230	0.3%

NOTE: (1) Real property taxes which become delinquent are paid in full by the Oakland County Delinquent Tax Revolving Fund. As a result, percent of collections for real proerty taxes is 100 percent.

**VILLAGE OF HOLLY**  
**ASSESSED AND TAXABLE VALUE OF TAXABLE PROPERTY - UNAUDITED**  
**LAST TEN FISCAL YEARS**

<b>FISCAL YEAR</b>	<b>Real Property</b>		<b>Personal Property</b>		<b>Total</b>	
	<b>Assessed Value (1)</b>	<b>Taxable Value (2)</b>	<b>Assessed Value</b>	<b>Taxable Value</b>	<b>Assessed Value</b>	<b>Taxable Value</b>
1995	\$ 58,048,300	\$ 58,048,300	\$ 5,199,700	\$ 5,199,700	\$ 63,248,000	\$ 63,248,000
1996	59,762,660	59,762,660	5,452,600	5,452,600	65,215,260	65,215,260
1997	66,620,950	63,500,557	6,129,330	6,123,680	72,750,280	69,624,237
1998	76,193,050	67,186,310	6,033,650	6,033,650	82,226,700	73,219,960
1999	85,993,600	75,941,360	6,151,620	6,151,620	92,145,220	82,092,980
2000	99,809,700	87,354,430	7,161,430	7,161,430	106,971,130	94,515,860
2001	118,917,950	93,409,200	6,555,310	6,555,310	125,473,260	99,964,510
2002	123,424,850	99,775,550	6,731,750	6,731,750	130,156,600	106,507,300
2003	129,201,300	105,951,490	7,307,380	7,307,380	136,508,680	113,258,870
2004	134,733,900	111,063,460	6,496,030	6,496,030	141,229,930	117,559,490

NOTE: (1) Assessed value represents 50% of market value.

NOTE: (2) In fiscal year 1996, Taxable Value replaced State Equalized Value as the basis on which property taxes are levied.

**VILLAGE OF HOLLY**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
**(PER \$1000 OF TAXABLE VALUATIONS) - UNAUDITED**  
**LAST TEN FISCAL YEARS**

		1994-95		1995-96		1996-97		1997-98		1998-99		1999-2000		2000-01		2001-02		2002-03		
		1993-94	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd	Hmstd	Non-Hmstd		
Village of Holly	Operating	15.9056	15.2042	15.2042	15.5000	15.5000	15.5000	15.5000	15.7025	15.7025	17.2282	17.2282	16.6649	16.6649	16.5166	16.5166	16.2183	16.2183	15.8458	15.8458
DDA - District	DDA Operating									0.0000	0.0000	2.0000	2.0000							
Holly Area Schools	Operating	39.2920	0.0000	18.0000		18.0000		18.0000	0.0000	17.8580	0.0000	17.8274		18.0000		18.0000		18.0000		18.0000
	Debt		1.0220	1.0220	4.7500	4.7500	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000	7.0000
Oakland County	Operating	4.9480	4.4805	4.4805	4.4505	4.4505	4.8480	4.8480	4.3505	4.3505	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900	4.1900
	Parks & Rec	0.0000	0.2439	0.2439	0.2439	0.2439	0.0000	0.0000	0.2439	0.2429	0.2429	0.2404	0.2404	0.2376	0.2376	0.2352	0.2352	0.2453	0.2453	0.2453
	H.C.M.A.	0.0000	0.2236	0.2236	0.2236	0.2236	0.0000	0.0000	0.2236	0.2235	0.2235	0.2235	0.2218	0.2218	0.2202	0.2202	0.2186	0.2186	0.2170	0.2170
Holly Township	Operating	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
	Library	0.9555	0.9555	0.9555	0.9555	0.9555	0.9477	0.9477	1.0000	1.0000	0.9836	0.9836	0.9576	0.9576	0.9368	0.9368	0.9114	0.9114	0.9834	0.9834
	Parks	0.4778	0.4778	0.4778	0.4779	0.4779	0.4739	0.4739	0.5000	0.5000	0.4918	0.4918	0.4788	0.4788	0.4684	0.4684	0.4557	0.4557	0.4917	0.4917
	Fire/Emg														1.5000	1.5000	1.5000	1.5000	1.6500	1.6500
State Education	SET	0.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	6.0000	5.0000	5.0000
Oakland Inter School		2.1294	2.1294	2.1294	2.1294	2.1294	2.1294	2.1294	2.1294	2.1294	2.1208	2.1208	2.0998	2.0998	2.0752	2.0752	3.4526	3.4526	3.3991	3.3991
Oakland Community College		<u>1.0522</u>	<u>0.8522</u>	<u>0.8522</u>	<u>1.6522</u>	<u>1.6522</u>	<u>1.6522</u>	<u>1.6522</u>	<u>1.6522</u>	<u>1.6456</u>	<u>1.6456</u>	<u>1.6295</u>	<u>1.6295</u>	<u>1.6109</u>	<u>1.6109</u>	<u>1.5952</u>	<u>1.5952</u>	<u>1.5983</u>	<u>1.5983</u>	<u>1.5983</u>
TOTALS		65.7605	32.5891	50.5891	37.3830	55.3830	39.5512	57.5512	39.8021	57.6601	41.1264	60.9538	40.4828	60.4828	41.7557	59.7557	42.7770	60.7770	41.6206	59.6206



# VILLAGE OF HOLLY, MICHIGAN

## SPECIAL ASSESSMENTS BILLINGS AND COLLECTIONS - UNAUDITED LAST TEN FISCAL YEARS

<u>Tax Roll Year</u>	<u>Current Assessments Billed (1)</u>	<u>Assessments Collected (2)</u>	<u>Ratio of Collections To Amount Due</u>	<u>Total Outstanding Assessments</u>
1995	\$ 46,665	\$ 46,665	100.0%	\$ 184,696
1996	20,308	20,308	100.0%	145,475
1997	22,763	22,763	100.0%	127,490
1998	18,131	18,131	100.0%	103,085
1999	29,979	45,416	151.5%	102,602
2000	34,650	32,471	93.7%	125,209
2001	34,485	41,773	121.1%	137,134
2002	44,683	46,394	103.8%	103,433
2003	47,034	58,958	125.4%	94,339
2004	40,083	55,588	138.7%	41,653

NOTE: (1) Paving special assessments are due annually by May 1st and are placed on taxes if not paid prior to this date. Delinquent special assessments are levied as part of the taxpayer's annual property tax billing. Billings which become delinquent (I.e., real property taxes including special assessments) are paid in full by the Oakland County Delinquent Tax Revolving Fund. As a result, after a two year period, all special assessment levies are 100% collected.

NOTE: (2) Includes prepayments.

**VILLAGE OF HOLLY, MICHIGAN**  
**COMPUTATION OF LEGAL DEBT MARGIN**

**June 30, 2004**

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Assessed valuation, December 31, 2004	<u>\$ 128,574,710</u>
Debt limit - 10% of assessed valuation	\$ 12,857,471
<u>Amount of debt applicable to debt:</u>	
Total general obligation debt	<u>91,735</u>
LEGAL DEBT MARGIN	<u>\$ 12,765,736</u>

VILLAGE OF HOLLY, MICHIGAN  
COMPUTATION OF DIRECT AND OVERLAPPING DEBT  
GENERAL OBLIGATION BONDS  
JUNE 30, 2004

Name of Governmental Unit		Net General Bonded Debt Outstanding	Percentage Applicable to Village	Amount Applicable to Village
Holly Area Schools	(1)	\$68,204,000	15.74%	\$10,735,310
Oakland County	(1)	\$73,460,291	.22%	161,613
Oakland Community College	(1)	\$12,325,000	.22%	27,115
Oakland Intermediate School District	(1)	\$11,200,000	.22%	<u>24,640</u>
TOTAL DIRECT AND OVERLAPPING DEBT				<u>\$10,948,677</u>

(1) Obtained from the Municipal Advisory Council of Michigan

**VILLAGE OF HOLLY, MICHIGAN**  
**REVENUE BOND COVERAGE - UNAUDITED**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended	Operating Revenues	Operating Expenses(4)	Net Revenue Available For Debt Service	<u>Annual Debt Service Payments</u>			Times Coverage Ratio
				Principal	Interest	Total	
<u>Water Supply and Sewage Disposal Revenue Bonds</u>							
1992	\$886,341	\$952,469	\$(66,128)	\$15,000	\$4,600	\$19,600	(3.37x)
1993	872,661	809,823	62,838	15,000	3,400	18,400	3.42x
1994	1,030,683	882,317	148,366	15,000	2,200	17,200	8.63x
1995(1)	1,301,611	562,052	739,559	20,000	800	20,800	35.56x
<u>Water System Revenue Bonds</u>							
1992(2)	317,076	217,665	99,411	20,000	85,920	105,920	.94x
1993	308,711	227,243	81,468	25,000	81,764	106,764	.76x
1994	320,407	265,361	55,046	25,000	80,514	105,514	.52x
1995	350,347	228,450	121,897	25,000	79,214	104,214	1.17x
1996	375,486	194,792	180,694	30,000	77,864	107,864	1.68x
1997	457,899	226,538	191,361	30,000	76,214	106,214	1.80x
1998	423,113	268,002	155,111	30,000	71,978	101,978	1.52x
1999	472,747	312,598	160,149	35,000	75,502	110,502	1.45x
2000	554,748	394,896	159,852	40,000	78,682	118,682	1.35x
2001(3)	502,142	382,316	119,826	95,000	110,983	205,983	.58x
2002	556,667	427,665	129,002	100,000	93,590	193,590	.67x
2003	693,076	428,654	264,422	105,000	92,839	197,839	1.34x
2004	1,191,290	445,989	745,301	110,000	92,200	202,200	3.69x

- (1) Last year for payments.  
(2) First year for payments on Series 1991 bonds.  
(3) First year for payments on bonds dated 6/1/99.  
(4) Net of depreciation.

VILLAGE OF HOLLY, MICHIGAN  
DEMOGRAPHIC STATISTICS  
LAST TEN FISCAL YEARS

Fiscal Year Ended	Estimated Population(1)	Per Capita Income(2)	County Unemployment Rate(2)	School Enrollment(3)
1995	5,595	16,450	4.3%	4,142
1996	5,595	16,450	3.7%	4,135
1997	5,595	16,450	3.3%	4,210
1998	5,595	16,450	2.8%	4,318
1999	5,595	16,450	2.6%	4,362
2000	5,595	41,512(4)	2.2%	4,249
2001	6,135	41,512	3.8%	4,239
2002	6,135	41,512	5.4%	4,251
2003	6,135	46,282	4.7%	4,319
2004	6,179	47,394	5.3%	4,317

(1) Estimated based on 1990 and 2000 U.S. Census figures.

(2) Obtained from Oakland County Planning Department.

(3) Obtained from Holly Area Schools.

(4) Information obtained from Oakland County Planning Department in August 2000 is now being reported as median income instead of per capita income with future reporting being done as median income.

# VILLAGE OF HOLLY

## CONSTRUCTION VALUE FOR NEW CONSTRUCTION FOR RESIDENTIAL AND COMMERCIAL BUILDINGS AND BANK DEPOSITS LAST TEN FISCAL YEARS

<u>Date</u>	<u>Commercial Construction</u>		<u>Residential Construction</u>		<u>Bank Deposits</u>
	<u>Number Of Units</u>	<u>Value</u>	<u>Number Of Units</u>	<u>Value</u>	
1995	1	\$ 150,000	17	\$ 662,992	\$ -
1996	4	710,716	33	1,260,461	23,536,268 (2)
1997	2	2,871,395	21	495,630	25,089,751
1998	5	1,503,612	187	16,758,023	26,014,346
1999	2	590,824	21	1,919,272	26,196,346
2000	2	149,000	23	2,261,596	26,429,640
2001	-	-	23	2,672,000	26,741,830
2002	1	400,000	9	940,000	26,895,043
2003	-	-	56	5,117,000	27,028,460
2004	1	478,000	42	3,332,000	27,539,810

(1) Obtained from Village of Holly Building Department

(2) Source: State Bank of Fenton and Citizens Bank (Holly Branch)

**VILLAGE OF HOLLY**  
**PRINCIPAL TAXPAYERS - UNAUDITED**

**JUNE 30, 2004**

<u>Taxpayers</u>	<u>Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>	<u>Total Taxes Paid to Village</u>
1 Presbyterian Village	\$ 2,582,700	2.3%	\$ 39,864
2 Holly Enterprises Inc.	2,293,350	2.0%	35,398
3 Greg Christopher	2,077,710	1.8%	32,070
4 Consumers Energy	1,664,430	1.5%	25,691
5 Phyle Holly, LLC*	1,450,560	1.3%	12,626
6 Holly Manor Apartments, LLC	1,438,210	1.3%	22,199
7 Delta Tube	1,268,300	1.1%	19,576
8 R & J Holly LLC	739,870	0.7%	11,420
9 Whispering Oaks Associates	629,150	0.6%	9,711
10 Holly Associates (Nursing Home)	576,110	0.5%	8,892
	<u>\$ 14,720,390</u>	<u>13.0%</u>	<u>\$ 217,447</u>

\*Phyle Holly, LLC has been given a twelve year tax abatement

**VILLAGE OF HOLLY, MICHIGAN**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2004**

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Date Incorporated	1865
Form of Government	Council/Manager
Date Present Charter Adopted	1982
Area - Square Miles	2.5 square miles
Population:	
	<u>U.S. Census Date</u>
	<u>Population</u>
	1950
	2,663
	1960
	3,269
	1970
	4,355
	1980
	4,874
	1990
	5,595
	2000
	6,179
Number of employees(including police)	41
Fire personnel - volunteer	16
Police Protection:	
Number of:	
Police Stations	1
Vehicular patrol units - marked	4
- unmarked	2
Fire Protection:	
Fire stations:	1
Recreation:	
Park Areas	5
Park Acreage	22
Streets:	
Major Streets	6.69 miles
Local Streets	13.29 miles



**VILLAGE OF HOLLY, MICHIGAN**  
**MISCELLANEOUS STATISTICAL DATA**  
**June 30, 2004**

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Page 2 of 2

Sewer System:

Sanitary and sewers	22 miles
Treatment plant	1
Daily average treatment	1.36 million gallons
Maximum daily capacity	3.00 million gallons

Water System:

Miles of Water mains	22 miles
Number of customers	2,543
Daily average consumption	602,785 gallons

Education:

Elementary Schools	4
Secondary Schools	1
High Schools	1

Source: From local unit's records

## **INTERNAL CONTROL AND COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

November 11, 2004

Village Council  
Village of Holly  
Holly, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Village of Holly* as of and for the year ended June 30, 2004, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated November 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the *Village of Holly's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the *Village of Holly's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, others within the Organization, the Village council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Lohson*